Reapplix A/S

Blokken 45, DK-3460 Birkeroed

CVR no. 31 26 15 70

Annual report for 2020

This annual report has been adopted at the company's annual general meeting on 30 June 2021

Chairman of the meeting:

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Thomas Holst Laursen

30-06-2021 | 11:31:36 CEST

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

Bord of Directors
Richard Twomey, Chair
Ulrik Spork
Cyrille Yann Nicolas Petit
Samuel Levy
Jørgen Ulrik Vejlsgaard
Søren Møller
Bo Jesper Hansen
Tonni Bülow-Nielsen
Klaus Eldrup-Jørgensen

Executive Management
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 2020 was a loss of DKK 35.4 million compared to DKK 89.6 million in 2019. The increase is primarily due to the impact of fair value adjustment of conversion option.

R&D
Research and development costs totalled DKK 9.3 million in 2020 compared to DKK 11.8 million in 2019. The decrease was mainly due to slightly lower activity levels in 2020.

S&M
Sales and marketing expenses totalled DKK 17.7 million in 2020 compared to DKK 17.5 million in 2019.

General and administrative expenses
General and administrative expenses totalled DKK 10.0 million in 2020 compared to DKK 15.6 million in 2019. The decrease is mainly due to legal and consultancy costs associated with corporate initiatives to continue to develop processes as the Company moved from an R&D focus to commercialisation in 2019.

Financial items
Net financials totalled an expense of DKK 4.4 million in 2020 compared to DKK 3.8 million in 2019. Financial expenses primarily cover foreign exchange losses. Fair value adjustment to conversion options recognised in income statement amounted to an income of DKK 3.8 million for the 12 months ended 31 December 2020.

Income tax benefit
Income tax benefit totalled DKK 1.8 million in 2020 compared to DKK 2.4 million in 2019. The income tax benefit represents a tax credit for research and development costs at the applicable tax rate under the Danish Corporation Tax Act.

Statement of financial position
As of 31 December 2020, the Group had a cash balance of DKK 47.6 million compared to DKK 19.6 million as of 31 December 2019. The increase in cash results from capital contributions less the cash burn during the year.

As of 31 December 2020, equity amounted to DKK 43.5 million compared with DKK -18.5 million as of 31 December 2019. The increase mainly reflects the capital increases during the year. The Company has re-established its share capital through additional funding in accordance with the plan subject to the provisions of Section 119 of the Danish Companies Act.

Cash flow
Net cash flow from operating activities amounted to an outflow of DKK 33.4 million in the year ended 31 December 2020 compared to DKK 35.1 million in the year ended 31 December 2019. 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 1.0 million in the year ended 31 December 2020 compared to DKK 4.6 million in the year ended 31 December 2019. Investing activities comprise investment in equipment for demonstration purposes, as well as production equipment and software.

Net cash inflow from financing activities amounted to an inflow of DKK 62.3 million in the year ended 31 December 2020 compared to DKK 48.6 million in the year ended 31 December 2019. Financing activities comprise cash contributions from shareholders related to increase of share capital and lease payments.

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

Subsequent events
In April 2021, Reapplix has received a final National Coverage Determination (NCD) from the Centers for Medicare and Medicaid Services (CMS) securing coverage for the Company's 3C Patch® system. The NCD describes the coverage of autologous platelet-rich plasma for the treatment of chronic, non-healing diabetic wounds for up to 20 weeks. The coverage only applies to FDA-cleared devices with relevant wound indications, of which 3C Patch ® is currently the only actively marketed product available in the United States.

In general, the Company has achieved results that are in line with expectations in 2020. However, the worldwide Covid-19 outbreak will potentially affect the Company's results and financial position in 2021. 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.

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 1 January – 31 December 2020 and the comparative figures for the financial year 1 January – 31 December 2019.

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 31 December 2020 and the comparative figures at 31 December 2019 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 and the comparative figures for the financial year 1 January – 31 December 2019.

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, 17 June 2021

Executive Management

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Sincerely,
Morten Have-Rasmussen, CFO
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Morten Have-Rasmussen

DocuSigned by:
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Rasmus Lundquist

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Niels Erik Holm

Board of Directors

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Richard Twomey
Chair

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Ulrik Spork

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Cyrille Yann Nicolas Petit

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Samuel Levy

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Jørgen Ulrik Vejlsgaard

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Søren Møller

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Bo Jesper Hansen

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Tonni Bülow-Nielsen

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Klaus Eldrup-Jørgsensen

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 2020, which comprise income statement, statement of comprehensive income, statement of financial position, 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 financiastatl 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 2020 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 2020 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, 17 June 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

DocuSigned by:
Kennet Hartmann
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Kennet Hartmann
State Authorised Public Accountant
mne40036

Consolidated income statement and statement of comprehensive income

Note		2020 DKK'000	2019 DKK'000
5,6	Revenue	733	656
	Costs of sales	-296	-336
	Gross profit	**437**	**320**
7,8,9,12,13	Research and development costs	-9,344	-11,825
8,9,12,13	Sales and marketing expenses	-17,690	-17,479
8,9,12,13	General and administrative expenses	-9,962	-15,604
	Operating loss	**-36,559**	**-44,588**
10	Financial income	39	223
11	Financial expenses	-4,465	-4,058
17	Fair value adjustment of conversion option	3,820	-43,571
	Loss before tax	**-37,165**	**-91,994**
18	Income tax benefit	1,781	2,377
	Net loss for the period	**-35,384**	**-89,617**
	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	2,531	-144
	Other comprehensive loss for the year, net of tax	**2,531**	**-144**
	Total comprehensive loss	**-32,853**	**-89,761**
	Net loss attributable to:		
	Owners of the Parent Company	-35,384	-89,617
	Total	**-35,384**	**-89,617**
	Total comprehensive income attributable to:		
	Owners of the Parent Company	-32,853	-89,761
	Total	**-32,853**	**-89,761**

Note		2020 DKK'000	2019 DKK'000
	ASSETS		
	Non-current assets		
12	Intangible assets	326	0
13	Property, plant and equipment	5,865	6,135
18	Corporation tax receivable	0	0
	Deposits	407	401
	Total non-current assets	**6,598**	**6,536**
	Current assets		
14	Inventories	463	416
15	Trade receivable	152	83
18	Corporation tax receivable	1,896	2,760
	Other receivables	1,563	787
	Prepayments	397	417
	Cash and cash equivalents	47,622	19,640
	Total current assets	**52,093**	**24,103**
	TOTAL ASSETS	**58,691**	**30,639**
	EQUITY AND LIABILITIES		
	Equity		
16	Share capital	4,355	2,819
	Share premium	0	0
	Accumulated profit/loss	36,798	-21,086
	Currency translation reserve	2,338	-193
	Total equity	**43,491**	**-18,460**
	Non-current liabilities		
19	Lease liabilities	911	600
	Other payables and accruals	0	193
	Total non-current liabilities	**911**	**793**
	Current liabilities		
19	Lease liabilities	917	720
	Bank debt	48	77
17	Convertible debt facility	0	23,095
17	Conversion option	0	11,606
	Trade payables	5,678	1,383
18	Corporation tax payable	36	35
	Other payables and accruals	7,610	11,391
	Total current liabilities	**14,289**	**48,307**
	Total liabilities	**15,200**	**49,100**
	TOTAL EQUITY AND LIABILITIES	**58,691**	**30,639**

	Note	Share capital DKK'000	Share premium DKK'000	Accumulated deficit DKK'000	Currency translation reserve DKK'000	Total DKK'000
Equity as of 1 January 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	16,17	431	58,952	0	0	59,383
Capital increase, cash injection	16	17	983	0	0	1,000
Transaction cost		0	0	-50	0	-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 31 December 2019		**2,819**	**0**	**-21,086**	**-193**	**-18,460**
Equity as of 1 January 2020		**2,819**	**0**	**-21,086**	**-193**	**-18,460**
Net loss for the period		**0**	0	-35,384	0	-35,384
Other comprehensive income for the period		**0**	0	0	2,531	2,531
Total comprehensive income		**0**	**0**	-35,384	2,531	-32,853
Capital increase, conversion of debt	16,17	488	22,872	7,786	0	31,146
Capital increase, cash injection	16	1,048	62,273	0	0	63,321
Transaction cost		0	0	0	0	0
Transfer to accumulated deficit		0	-85,145	85,145	0	0
Share-based payment expense	9	0	0	337	0	337
Equity as of 31 December 2020		**4,355**	**0**	**36,798**	**2,338**	**43,491**

The Company has re-established its share capital through additional funding in accordance with the plan subject to the provisions of Section 119 of the Danish Companies Act.

	Note	2020 DKK'000	2019 DKK'000
Operating activities			
Loss before tax		-37,165	-91,994
Reversal of financial income	10	-39	-223
Reversal of financial expenses	11	4,465	4,058
Depreciation and amortisation	12,13	2,203	1,226
Fair value adjustment conversion option	17	-3,820	43,571
Other non-cash items		-1,311	-107
Adjustments to reconcile loss before tax to cash flows from operating activities			
Share-based payment expense	9	337	1,982
Change in inventories		-47	-12
Change in trade receivables		-69	-63
Change in other receivables		-776	1,102
Change in prepayments		20	-187
Change in trade payables		4,295	-1,996
Change in other payables		-3,975	5,427
Cash flows from taxes	18	2,651	2,237
Interest paid	11	-203	-163
Net cash flow used in operating activities		**-33,434**	**-35,142**
Investing activities			
Investment in property, plant and equipment	12,13	-963	-4,644
Net cash flow used in investing activities		**-963**	**-4,644**
Financing activities			
Capital contributions from shareholders	16	63,321	0
Cash from convertible loan	17	0	47,711
Bank loans		-29	9
Lease payment		-996	912
Net cash provided by financing activities		**62,296**	**48,632**
Net change in cash and cash equivalents		**27,899**	**8,846**
Net foreign exchange differences		83	-168
Cash and cash equivalents at the beginning of the period		19,640	10,962
Cash and cash equivalents at the end of the period		**47,622**	**19,640**

1. Accounting policies
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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"). In January 2020, a fully-owned subsidiary, Reapplix Limited was incorporated in Nottingham, UK (together with Reapplix A/S, "Reapplix" or the "Group").

The consolidated financial statements for the year ended 31 December 2020 were authorised for approval at the Annual General Meeting to be held on 30 June 2021, with a resolution of the Board of Directors on 17 June 2021.

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 recognised 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 has 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 recognised in the statement of financial position 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 31 December 2020 or 31 December 2019.

For further details please refer to note 18.

Deposits

Deposits for property leased by the Group are measured at amortised 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 transaction costs, in the case of a financial asset not at fair value through profit or loss.

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 statement of financial position at amortized cost, which generally corresponds to nominal value less expected credit loss provision. This is consistent with prior periods' classification.

Impairment

The Group records 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 at 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 recognised 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 recognised 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 holders 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.

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 realisable value.

Statement of Profit or Loss and Other Comprehensive Income

Revenue

The Group sells medical consumables through direct sales representatives and independent distributors. The Group recognises 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 are treated as a fulfilment activity rather than a promised service, and therefore, are 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 recognised 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 statement of financial positions the right-of-return asset in other current assets in the consolidated statement of financial positions. The right-of-return asset and right-of-return liability at 31 December 2020 and 31 December 2019 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 31 December 2020 and 31 December 2019 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 provide compensation for a part of certain project-specific research and development expenses, including wages and salaries. Government grants are recognised 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 recognised 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 recognised 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 recognised 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 costs

Research and development costs 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 costs 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 the 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 includes 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 recognised in the income statement, except to the extent that it relates to items recognised 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 recognised in the statement of financial position 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 recognised 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 17)
- Judgment in respect of recognition of deferred taxes related to taxable losses to be carried forward (note 18).

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 31 December 2020 and 31 December 2019 to DKK 9 million and DKK 12 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.

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:

	2020 DKK'000	2019 DKK'000
Key assumptions applied in black-scholes pricing model		
Expected volatility (%)	-	74 %
Expected future dividend yield per share (%)	-	0 %
Annual risk-free interest rate (%)	-	-0.8 %

Market share-price at grant year	**Share price for A class share (DKK)**	**Expected life of warrants in years***
2014	15.78	0
2016	12.95	0
2017	12.95	0
2018	2.37	1 to 2
2019	65.7	1 to 2

** 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 the 12 months period ended 31 December 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:

	31 December 2020	**31 December 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 17.

The convertible loans entered into as of 30 September 2019 and 18 October 2019 were converted to equity on 10 July 2020 in connection with the Company's equity financing round.

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 is 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. The convertible loans were converted to equity on 10 July 2020.

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

The Group recognises 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 recognised and has concluded that the deferred income tax assets related to taxable losses to be carried forward do not meet the criteria for being recognised as assets in the statement of financial position.

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

The Group has net tax loss carry-forwards that are not recognised of DKK 23,483 thousand and DKK 15,973 thousand as at 31 December 2020 and 31 December 2019, respectively.

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

Reference is made to note 18.

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 1 January 2021 or later. The Group has adopted relevant new or amended standards and interpretations as adopted by the EU and which are effective for the financial year 1 January – 31 December 2020. The Group has assessed that the new or amended standards and interpretations have not had any material impact on the Group's Annual Report for 2020.

At the date of authorisation of these financial statements, the Group has assessed the new and revised IFRS Standards that have been issued but are not yet effective. Based on the current business setup, none of the new standards or interpretations are expected to have a material impact on the Group's Annual Report for 2020.

4. Going concern

As of 31 December 2020, Reapplix held cash of DKK 47.7 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 31 December 2020 combined with the net proceeds of the second of two tranches each of DKK 63.3 million to be received in June 2021 from an increase of capital 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 continue 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:

	2020 DKK'000	2019 DKK000
Medical consumables (3CP^tm)		
Europe	592	385
United States of America (USA)	141	271
Total revenue	**733**	**656**

	2020 DKK'000	2019 DKK'000
Timing of revenue recognition		
Revenue from the sale of consumables at a point in time	733	656
Total revenue	**733**	**656**

Summary of key performance obligations related to revenue streams

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

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 Decision 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 organisational 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 statement of financial position.

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

	2020 DKK'000		2019 DKK'000	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Denmark	592	5,613	385	5,061
United States of America (USA)	141	985	271	1,475
Total	**733**	**6,598**	**656**	**6,536**

Major customers

Income from transactions with three major customers recognised under "Revenue" in 2020 represented 33%, 26% and 13%, respectively of total revenue (2019: three major customers represented 34%, 21% and 13%, 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 recognised in the period where the expenses funded by the grants have been incurred. Government grants are recognised as a reduction in research and development expenses as the grants are considered to be cost refunds. No grants were received in 2020. Government grants amount to DKK 0.0 million, and DKK 0.1 million for the 12-months period ended as at 31 December 2020 and 31 December 2019, respectively.

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

8. Employee benefit expenses

	2020 DKK'000	2019 DKK'000
Staff costs		
Wages/salaries	19,448	15,473
Share-based compensation expenses (note 9)	337	2,033
Other social security costs	1,573	972
Other staff costs	143	192
Total staff costs	**21,501**	**18,670**
Average number of employees during the year	13	11
Executive management remuneration		
Wages/salaries	8,021	6,608
Share-based compensation expenses (note 9)	337	1,545
Other social security costs	9	26
Other staff costs	37	74
Total executive management remuneration	**8,404**	**8,253**
Total staff costs are included in the income statement as follows:		
Cost of sales	93	0
Research and development costs	4,743	5,682
Sales and marketing expenses	9,240	6,724
General and administrative expenses	7,425	6,264
Total staff costs	**21,501**	**18,670**

The amounts disclosed in the table above are the amounts recognised 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 table below summarises the activity related to the warrants for the 12-months period ended 31 December 2020 and the 12-months period ended 31 December 2019, respectively:

9. Share-based compensation expenses – continued –

	Executive Management	Employees	Board of Directors	Total warrants
Outstanding at 1 January 2019	**178,137**	**7,297**	**105,520**	**290,954**
Granted	157,160	0	60,520	217,680
Outstanding at 31 December 2019	**335,297**	**7,297**	**166,040**	**508,634**
Granted	0	0	0	0
Expired	-127,160	-7,297	-60,520	-194,977
Outstanding at 31 December 2020	**208,137**	**0**	**105,520**	**313,657**

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 207,680 as of 31 December 2020 (31 December 2019: 204,977).

The weighted average remaining contractual life of the warrants outstanding as of 31 December 2020 and 31 December 2019 was 1 year and 1 years, respectively.

The weighted average exercise prices of the warrants outstanding as at 31 December 2020 and 31 December 2019 were 55.29 and 54.03, respectively.

Share-based compensation recognised in the income statement:

	2020 DKK'000	2019 DKK'000
Research and development costs	0	922
General and administrative expenses	337	1,111
Total share-based compensation recognised in the income statement	**337**	**2,033**

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

	2020 DKK'000	2019 DKK'000
Foreign exchange gain	39	223
Total financial income	**39**	**223**

11. Financial expenses

	2020 DKK'000	2019 DKK'000
Foreign exchange losses	3,842	93
Interest expenses, convertible debt facility (note 16)	265	3,802
Interest expenses, lease liabilities	150	85
Other interest expenses	208	78
Total financial expenses	**4,465**	**4,058**

In 2020, the Lenders of convertible loans outstanding at 31 December 2019, surrendered all accrued interests on the convertible loans for the benefit of the Company. Consequently, interest expenses recognised on these convertible loans in 2019 were reversed in 2020 resulting in an interest income of DKK 694 thousand. Further, no interest expense was recognised related to the convertible loans in 2020.

12. Intangible assets

	Software DKK'000
Cost at 1 January 2019	0
Cost at 31 December 2019	0
Additions	362
Disposals	0
Cost at 31 December 2020	362
Accumulated depreciation at 1 January 2019	0
Accumulated depreciation at 31 December 2019	0
Depreciation expense	36
Accumulated depreciation at 31 December 2020	36
Total net carrying value at:	
31 December 2019	0
31 December 2020	326

12. Intangible assets – continued –

Amotisation

Amortisation is included in the income statement as follows:

	2020 DKK'000	2019 DKK'000
Research and development costs	16	0
Sales and marketing expenses	8	0
General and administrative expenses	12	0
Total amortisation	**36**	**0**

13. Property, plant and equipment

	Fixtures and fittings, other plant and equipment DKK'000	Right-of-use assets DKK'000	Demonstration equipment DKK'000	Total DKK'000
Cost at 1 January 2019	551	771	2,260	3,582
Early adoption of IFRS 16	1	0	26	27
Additions	42	1,462	3,690	5,194
Disposals	0	0	-599	-599
Cost at 31 December 2019	594	2,233	5,377	8,204
Currency adjustment	-4	-12	-157	-173
Additions	0	1,422	601	2,023
Disposals	0	0	-33	-33
Cost at 31 December 2020	590	3,643	5,788	10,021
Accumulated depreciation at 1 January 2019	392	386	112	890
Currency adjustment	0	0	2	2
Depreciation	106	565	555	1,226
Write-down	0	0	0	0
Disposals	0	0	-49	-49
Accumulated depreciation at 31 December 2019	498	951	620	2,069
Currency adjustment	-2	-3	-60	-65
Depreciation	52	943	1,172	2,167
Write-down	0	0	0	0
Disposals	0	0	-15	-15
Accumulated depreciation at 31 December 2020	548	1,891	1,717	4,156
Total net carrying value at:				
31 December 2019	96	1,282	4,757	6,135
31 December 2020	42	1,752	4,071	5,865

13. Property, plant and equipment – continued –

Right-of-use assets
The Group has entered into a lease agreement for its domicile, including equipment in Birkeroed, Denmark and office in the US.

Depreciation

Depreciation is included in the income statement as follows:

	2020 DKK'000	2019 DKK'000
Cost of sales	64	37
Research and development costs	503	278
Sales and marketing expenses	1,362	706
General and administrative expenses	238	205
Total depreciation expense	**2,167**	**1,226**

14. Inventories

	2020 DKK'000	2019 DKK'000
Raw materials and packaging	293	222
Finished goods	170	194
Total inventories	**463**	**416**

The total amount of inventories recognised as an expense in the 12-months periods ended at 31 December 2020 and 31 December 2019 amounted to DKK 197 thousand and DKK 315 thousand, respectively.

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

15. Trade receivables

The following table summarises the Group's trade receivables:

	2020 DKK'000	2019 DKK'000
Trade accounts receivables, customers	152	83
Total gross trade receivables	**152**	**83**
Provision for impairment of receivables	0	0
Total net trade receivables	**152**	**83**

	2020 DKK'000	2019 DKK'000
Neither past due nor impaired	131	45
Past due but not impaired		
- Overdue 1 to 30 days	0	9
- Overdue 31 to 60 days	0	9
- Overdue 61 to 90 days	0	0
- Overdue 91 to 360 days	0	0
- Overdue more than 1 year	21	20
Total gross trade receivables	**152**	**83**

15. Trade receivables – continued –

Trade receivables by type of customer	2020 DKK'000	2019 DKK'000
Hospitals	152	83
Total gross trade receivables	**152**	**83**

The Group does not expect any losses on their trade receivables; hence no provision has been recognised in 2020. (2019: DKK 0).

16. Shareholders' equity

The following table summarises the Company's share activity:

DKK	Class A ordinary shares	Class B preferred shares	Class C preferred shares	Class D preferred shares	Class E preferred shares	Total
1 January 2019	**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
31 December 2019	**203,020**	**98,930**	**211,347**	**2,305,596**		**2,818,893**
Capital increase, conversion of debt				488,187		488,187
Conversion of D shares to E shares				-488,187	488,187	0
Capital increase, cash injection					1,047,991	1,047,991
31 December 2020	**203,020**	**98,930**	**211,347**	**2,305,596**	**1,536,178**	**4,355,071**

On 31 December 2020 and 31 December 2019, the share capital of the Company comprised 4,355,071 shares and 2,818,893 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	5th	
Class B	98,930	1	4th	
Class C	211,347	1	3rd	
Class D	2,305,596	1	2nd	a)
Class E	1,536,178	1	1st	
Total	**4,355,071**			

(E) Firstly, an amount equal to the actual subscription amount paid for the E shares shall be paid to the holders of E shares.

(B-D) Secondly, an amount up to DKK 247,361,015 (adjusted in case of changes to number and/or preferences allotted to the B – E share classes) shall be distributed with a) 35.6% to the holders of E shares and b) 64.5% to the holders of D, C, and B shares. The amount to be paid the holder of D, C and B share shall be paid in the following order:

- i) an amount equal to the subscription amount paid for the D shares plus DKK 13,911,228 shall be paid to the holders of D shares, then
- ii) an amount equal to the subscription amount paid for the C shares plus DKK 4,449,070 shall be paid to the holders of C shares, then
- iii) an amount equal to the subscription amount paid for the B shares plus DKK 1,639,702 shall be paid to the holders of B shares

16. Shareholders' equity – continued -

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

a) The convertible loans issued in September 2019 and October 2019 were converted in July 2020. The new shares are subscribed at a price of DKK 47.9 per share. The nominal amount of each share is DKK 1. No convertible loans are outstanding after the conversion in July 2020.

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

	Convertible debt DKK'000
Liabilities as at 1 January 2019	**0**
Subscriptions during the period	43,856
Interests during the period	3,802
Conversion of convertible debt	-24,563
Liabilities as at 31 December 2019	**23,095**
Liabilities as at 1 January 2020	**23,095**
Subscriptions during the period	0
Interests during the period	265
Conversion of convertible debt	-23,360
Liabilities as at 31 December 2020	**0**

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

The convertible loans entered into as of 30 September 2019 and 18 October 2019 were converted to equity on 10 July 2020 in connection with the Company's equity financing round.

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

17. Convertible debt facility and conversion options – continued -

	31 December 2019
	Convertible debt issued 30 September 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	30 June 2020

	31 December 2019
	Convertible debt issued 18 October 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	30 June 2020

Conversion options

The convertible loans entered into as of 30 september 2019 and 18 October 2019 were converted to equity on 10 July 2020 in connection with the Company's equity financing round.

31 December 2019

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 share of nominally DKK 1, however with the following exceptions:

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 nominally DKK 1 corresponding to the price in the financing round in question with a deduction of 25%.

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

17. Convertible debt facility, conversion options and debt to capital owners – continued -

	31 December2019
	Conversion options issued 18 October2019
Carrying amount*. DKK thousand	1,666
Fair value*, DKK thousand	1,666
Maturity date	30 June 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 31 December 2019 are listed in note 2.

Reconciliation of fair value measurement under level 3 hierarchy

	Convertible options DKK'000
Liabilities as at 1 January 2020	**11,606**
Fair value adjustments through income statement	-3,820
Conversion to equity of options	-7,786
Liabilities as at 31 December 2020	**0**

Fair value adjustment to conversion options recognised in the income statement amounted to an income of DKK 3,820 thousand for the 12-months period ended 31 December 2020. The convertible loans, including the conversion options, were converted to D-shares in July 2020.

18. Income tax and deferred tax

	2020 DKK'000	2019 DKK'000
Current tax on benefit on net loss	6,280	17,856
Adjustment to prior years	-109	0
Tax credit research and development costs	1,896	2,383
Provision for income tax	-6	-6
Change in unrecognised deferred tax before tax credit	-6,280	-17,856
Total income tax benefit for the period	**1,781**	**2,377**

Reconciliation of effective tax rate to Danish statutory tax rate

	31 December2020 DKK'000	31 December2019 DKK'000
Net loss before tax	37,165	91,994
Corporate income tax rate in Denmark	22%	22%
Computed income tax benefit	**8,176**	**20,239**
Tax effect of:		
Effect of (higher)/lower tax rates in foreign subsidiaries	121	-118
Adjustment to prior years	-109	0
Other non-deductible expenses, including share-based compensation	-11	-13,088
Deferred tax asset not recognised	-6,396	-4,656
Total income tax benefit for the period	**1,781**	**2,377**

18. Income tax and deferred tax – continued –

	2020 DKK'000	2019 DKK'000
Corporation tax receivable at January 1	2,760	2,237
Received corporate tax during the financial year	-2,760	-2,237
Calculated corporate tax current year	1,896	2,383
Transferred from non-current	0	377
Corporation tax receivable (current)	**1,896**	**2,760**

	2020 DKK'000	2019 DKK'000
Corporation tax receivable at January 1	0	377
Received corporate tax during the financial year	0	0
Calculated corporate tax current year	0	0
Transferred to current	0	-377
Corporation tax receivable (non-current)	**0**	**0**

Deferred tax in the statement of financial position

	31 December2020 DKK'000	31 December2019 DKK'000
Deductible tax losses	23,483	15,973
Other temporary differences	384	122
	23,867	16,095
Deferred tax asset not recognised	-23,867	-16,095
Carrying amount	**0**	**0**

The Company had net tax loss carry-forwards in Denmark for income tax purposes of DKK 23,483 thousand and DKK 15,973 as of 31 December 2020 and 31 December 2019.

Income tax benefit for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporation 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 recognises 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 recognised, 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 commercialise 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 commercialised. 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 recognised as of 31 December 2020 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 31 December 2020, there are no tax audits in process nor has Management been notified of any pending tax audit. As of 31 December 2020, the tax years that remain open for audit by the Danish tax authorities include 2014 through 2020.

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 31 December 2020 the Group held cash and cash equivalents totalling DKK 47.7 million that together with additional funding from investors in June 2021, 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 31 December 2021.

Through its activities the Group is exposed 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 operation. 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 31 December 2020 and 31 December 2019, 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**	**2020 DKK'000**	**2019 DKK'000**
USD	+/-10%	(1,220) / +1,220	(1,185) / +1,185

Interest rate risk

In all material aspects, the Group's only interest-bearing debt was the convertible debt facility, that was converted to equity on 10 July 2020.

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 31 December 2020					
Lease liabilities	917	911	0	0	1,828
Bank debt	48	0	0	0	48
Trade payables	5,678	0	0	0	5,678
Total	**6,643**	**911**	**0**	**0**	**7,554**

19. Capital management – continued –

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

Fair value

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

There were neither assets nor liabilities measured at fair value as of 31 December 2020 or 31 December 2019.

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 31 December 2020, and 31 December 2019 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.

	2020 DKK'000	2019 DKK'000
Entities with significant influence over the entity and other shareholders		
Interest on convertible debt facility	0	3,802
Other related parties		
Lease of domicile, including equipment from N. E. Holm A/S	1,049	648
Purchase of goods from Innoventa Medica ApS	1,110	1,371
Purchase of other services from N. E. Holm A/S	0	12

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 374 thousand.

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.

21. Related party disclosures – continued –

Niels Erik 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.

	2020 DKK'000	2019 DKK'000
Other related parties		
Debt to Innoventa Medica ApS	-274	-471
Debt to N.E. Holm	0	-287
Rental deposit	374	362

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 N.E. Holm A/S, Seed Capital Denmark II K/S, Novo Holdings A/S (Novo Seeds), Vækstfonden, Jan Struve and Bo Jesper Hansen all own more than 5%.

There have been no additional transactions between related parties in the 12-months period ended 31 December 2020 and the 12-months period ended 31 December 2019 besides capital increases as described in note 16.

Terms and conditions of transactions with related parties

Amounts due to related parties are uncollateralised and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the 12-months period ended 31 December 2020 and the 12-months period ended 31 December 2019, 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:

	2020 DKK'000	2019 DKK'000
Share-based compensation	0	488
Remuneration to the Board of Directors	941	1,054
Total compensation paid to the Board of Directors	**941**	**1,542**

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 31 December 2020 or the 12-months period ended 31 December 2019, except for conversion of convertible debt as disclosed in note 17.

22. Subsequent events

In April 2021, Reapplix has received a final National Coverage Determination (NCD) from the Centers for Medicare and Medicaid Services (CMS) securing coverage for the Company's 3C Patch® system. The NCD describes the coverage of autologous platelet-rich plasma for the treatment of chronic, non-healing diabetic wounds for up to 20 weeks. The coverage only applies to FDA-cleared devices with relevant wound indications, of which 3C Patch ® is currently the only actively marketed product available in the United States.

In general, the Company has achieved results that are in line with expectations in 2020. However, the worldwide Covid-19 outbreak will potentially affect the Company's results and financial position in 2021. 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 in these financial statements.

Parent company income statement and statement of comprehensive income

Note		2020 DKK'000	2019 DKK'000
	Revenue	659	1,556
	Costs of sales	-356	-1,308
	Gross profit	**303**	**248**
5,8	Research and development costs	-9,344	-11,825
5,8	Sales and marketing expenses	-6,339	-6,252
5,8	General and administrative expenses	-9,962	-15,604
	Operating loss	**-25,342**	**-33,433**
6	Financial income	1,284	899
7	Financial expenses	-16,224	-16,039
	Fair value adjustment of conversion option	3,820	-43,571
	Loss before tax	**-36,462**	**-92,144**
12	Income tax benefit	1,787	2,383
	Net loss for the period	**-34,675**	**-89,761**
	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	**-34,675**	**-89,761**
	Net loss attributable to:		
	Shareholders of Reapplix A/S	-34,675	-89,761
	Total	-34,675	-89,761
	Total comprehensive income attributable to:		
	Shareholders of Reapplix A/S	-34,675	-89,761
	Total	**-34,675**	**-89,761**

Parent Company statement of financial position

Note		2020 DKK'000	2019 DKK'000
	ASSETS		
	Non-current assets		
	Intangible assets	326	0
8	Property, plant and equipment	4,913	4,697
9	Investments in group entities	0	0
12	Corporation tax receivable	0	0
	Deposits	374	364
	Total non-current assets	**5,613**	**5,061**
	Current assets		
11	Inventories	434	332
10	Receivables from group entities	0	1,394
	Trade receivable	142	72
12	Corporation tax receivable	1,896	2,760
	Other receivables	1,563	787
	Prepayments	397	374
	Cash and cash equivalents	45,469	18,919
	Total current assets	**49,901**	**24,638**
	TOTAL ASSETS	**55,514**	**29,699**
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	4,355	2,819
	Share premium	0	0
	Accumulated loss	37,314	-21,279
	Total equity	**41,669**	**-18,460**
	Non-current liabilities		
	Lease liabilities	911	557
	Other payables and accruals	0	193
	Total non-current liabilities	**911**	**750**
	Current liabilities		
	Lease liabilities	852	667
	Bank debt	48	77
	Convertible debt facility	0	23,095
	Conversion option	0	11,606
	Trade payables	5,661	1,356
	Other payables and accruals	6,373	10,608
	Total current liabilities	**12,934**	**47,409**
	Total liabilities	**13,845**	**48,159**
	TOTAL EQUITY AND LIABILITIES	**55,514**	**29,699**

	Note	Share capital DKK'000	Share premium DKK'000	Accumulated deficit DKK'000	Total DKK'000
Equity as of 1 January 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 31 December 2019		**2,819**	**0**	**-21,279**	**-18,460**

	Note	Share capital DKK'000	Share premium DKK'000	Accumulated deficit DKK'000	Total DKK'000
Equity as of 1 January 2020		**2,819**	**0**	**-21,279**	**-18,460**
Net loss for the period		0	0	-34,675	-34,675
Other comprehensive income for the period		0	0	0	0
Total comprehensive income		**0**	0	**-34,675**	**-34,675**
Capital increase, conversion of debt		488	22,872	7,786	31,146
Capital increase, cash injection		1,048	62,273	0	63,321
Transaction cost		0	0	0	0
Transfer to accumulated loss		0	-85,145	85,145	0
Share-based payment expense		0	0	337	337
Equity as of 31 December 2020		**4,355**	**0**	**37,314**	**41,669**

The Company has re-established its share capital through additional funding in accordance with the plan subject to the provisions of Section 119 of the Danish Companies Act.

Parent Company cash flow statement

	Note	2020 DKK'000	2019 DKK'000
Operating activities			
Loss before tax		-36,462	-92,144
Reversal of financial income	6	-1,284	-899
Reversal of financial expenses	7	16,224	16,039
Reversal of fair value adjustment conversion option		-3,820	43,571
Depreciation and amortisation		1,778	863
Other non-cash items		-2,568	-107
Adjustments to reconcile loss before tax to cash flows from operating activities			
Share-based payment expense		337	1,982
Change in inventories		-102	-2
Changes in receivables from group enterprises	10	-10,416	-11,884
Change in trade receivables		-70	-52
Change in other receivables		-776	1,102
Change in prepayments		-23	-275
Change in trade payables		4,305	-1,503
Change in other payables		-4,427	5,027
Cash flows from taxes	12	2,651	2,237
Interest received	6	0	676
Interest paid	7	-169	-154
Net cash flow used in operating activities		**-34,822**	**-35,523**
Investing activities			
Investment in property, plant and equipment		-963	-3,846
Investment in subsidiary	9	0	0
Net cash flow used in investing activities		**-963**	**-3,846**
Financing activities			
Capital contributions from shareholders		63,321	0
Cash from convertible loan		0	47,711
Bank loans		-29	9
Lease payment		-957	816
Net cash provided by financing activities		**62,335**	**48,536**
Net change in cash and cash equivalents		**26,550**	**9,167**
Cash and cash equivalents at the beginning of the period		18,919	9,752
Cash and cash equivalents at the end of the period		**45,469**	**18,919**

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 31 ended December 2020 were authorised for approval at the Annual General Meeting to be held on 30 June 2021, with a resolution of the Board of Directors on 17 June 2021.

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 DKK'000.

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 recognised 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

	2020 DKK'000	2019 DKK'000
Staff costs		
Wages/salaries	14,037	11,778
Share-based compensation expenses	337	2,033
Other social security costs	483	269
Other staff costs	83	149
Total staff costs	**14,940**	**14,229**
Average number of employees during the year	9	8
Total staff costs are included in the income statement as follows:		
Cost of sales	93	0
Research and development costs	4,743	5,682
Sales and marketing expenses	2,679	2,283
General and administrative expenses	7,425	6,264
Total staff costs	**14,940**	**14,229**

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

6. Financial income

	2020 DKK'000	2019 DKK'000
Foreign exchange gain	39	223
Interest income, group entities	1,245	676
Total financial income	**1,284**	**899**

7. Financial expenses

	2020 DKK'000	2019 DKK'000
Foreign exchange losses	3,842	94
Interest expenses, convertible debt facility (consolidated notes 11 and 16)	265	3,802
Impairment losses on receivables from subsidiaries (note 10)	11,810	11,989
Interest expenses, lease liabilities	138	76
Other interest expenses	169	78
Total financial expenses	**16,224**	**16,039**

In 2020, the Lenders of convertible loans outstanding at 31 December 2019, surrendered all accrued interests on the convertible loans for the benefit of the Company. Consequently, interest expenses recognised on these convertible loans in 2019 were reversed in 2020 resulting in an interest income of DKK 694 thousand. Further, no interest expense was recognised related to the convertible loans in 2020.

8. Property, plant and equipment

	Fixtures and fittings, other plant and equipment DKK'000	Right-of-use assets DKK'000	Demonstration equipment DKK'000	Total DKK'000
Cost at 1 January 2019	504	771	1,272	2,547
Early adoption of IFRS 16 (note 24)	0	0	0	0
Additions	42	1,326	2,791	4,159
Disposals	0	0	-329	-329
Cost at 31 December 2019	546	2,097	3,734	6,377
Additions	0	1,358	601	1,959
Disposals	0	0	0	0
Cost at 31 December 2020	546	3,455	4,335	8,336
Accumulated depreciation at 1 January 2019	384	386	63	833
Depreciation	90	521	252	863
Write-down	0	0	0	0
Disposals	0	0	-16	-16
Accumulated depreciation at 31 December 2019	474	907	299	1,680
Depreciation	36	855	851	1,742
Write-down	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation at 31 December 2020	510	1,762	1,150	3,422
Total net carrying value at:				
31 December 2019	72	1,190	3,435	4,697
31 December 2020	36	1,693	3,185	4,913

Right-of-use assets
The Group has entered into a lease agreement for its domicile, including equipment in Birkeroed, Denmark

8. Property, plant and equipment – continued –

Depreciation

Depreciation is included in the income statement as follows:

	2020 DKK'000	2019 DKK'000
Cost of sales	64	37
Research and development costs	503	278
Sales and marketing expenses	937	343
General and administrative expenses	238	205
Total depreciation expense	**1,742**	**1,226**

9. Investment in subsidiaries

	2020 DKK'000	2019 DKK'000
Cost at 1 January	64	64
Additions during the year	0	0
Cost at 31 December	**64**	**64**
Impairment losses at January 1	-64	-64
Impairment losses during the year	**0**	**0**
Impairment losses at 31 December 2019	**-64**	**-64**
Total net carrying value at:		
January 1	0	0
December 31	0	0

Subsidiary	Registered office	Ownership interest (%)	Share capital (USD'000)	Equity	Net loss
Reapplix Inc.	Delaware, USD	100	10	-4,488 (USD'000)	-1,863 (USD'000)
Reapplix Ltd.	Nottingham, UK	100	0	-37 (GBP'000)	-37 (GBP'000)

10. Receivables from group entities

	2020 DKK'000	2019 DKK'000
Receivables from group entities at January 1	18,915	7,031
Transactions during the year	10,416	11,884
Receivables from group entities at December 31	**29,331**	**18,915**
Impairment losses at January 1	-17,521	-5,532
Impairment losses during the year	-11,810	-11,989
Impairment losses at 31 December 2019	**-29,331**	**-17,521**
Total net carrying value at:		
January 1	1,499	0
December 31	0	1,499

10. Receivables from group entities -continued-

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

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

	2020 DKK'000	2019 DKK'000
Raw materials and packaging	293	222
Finished goods	141	110
Total inventories	**434**	**332**

The total amount of inventories recognised as an expense in the 12-month periods ended at 31 December 2020 and 31 December 2019 amounted to DKK 190 thousand and DKK 1,287 thousand, respectively.

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

12. Income tax and deferred tax

	2020 DKK'000	2019 DKK'000
Current tax on benefit on net loss	6,126	17,889
Adjustment to prior years	-109	0
Tax credit research and development costs	1,896	2,383
Change in unrecognised deferred tax before tax credit	-6,162	-17,889
Total income tax benefit for the period	**1,787**	**2,383**

Reconciliation of effective tax rate to Danish statutory tax rate

	31 December 2020 DKK'000	31 December 2019 DKK'000
Net loss before tax	36,462	92,144
Corporate income tax rate in Denmark	22%	22%
Computed income tax benefit	**8,022**	**20,272**
Tax effect of:		
Adjustment to prior years	-109	0
Other non-deductible expenses, including share-based compensation	74	-13,115
Deferred tax asset not recognised	-6,200	-4,774
Total income tax benefit for the period	**1,787**	**2,383**

12. Income tax and deferred tax – continued-

	2020 DKK'000	2019 DKK'000
Corporation tax receivable at January 1	2,760	2,237
Received corporation tax during the financial year	-2,760	-2,237
Calculated corporation tax current year	1,896	2,383
Transferred from non-current	0	377
Corporation tax receivable (current)	**1,896**	**2,760**

	2020 DKK'000	2019 DKK'000
Corporation tax receivable at January 1	0	377
Received corporation tax during the financial year	0	0
Calculated corporation tax current year	0	0
Transferred to current	0	-377
Corporation tax receivable (non-current)	**0**	**0**

Deferred tax in the statement of financial position

	31 December 2020 DKK'000	31 December 2019 DKK'000
Deductible tax losses	17,909	13,632
Other temporary differences	211	8
	18,120	13,640
Deferred tax asset not recognised	-18,120	-13,640
Carrying amount	**0**	**0**

The Company had net tax loss carry-forwards in Denmark for income tax purposes of DKK 17,909 thousand and DKK 13,632 thousand as of 31 December 2020 and 31 December 2019.

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 recognises 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 recognised, 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 commercialise 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 commercialised. 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 recognised as of 31 December 2020 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 31 December 2020, there are no tax audits in process nor has Management been notified of any pending tax audit. As of 31 December 2020, the tax years that remain open for audit by the Danish tax authorities include 2015 through 2020.

13. Related party disclosure

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

In 2020, the Parent Company transferred inventories of total DKK 67 thousand to the subsidiary. Total receivable from the subsidiary as of 31 December 2020 amounts to DKK 0 million after impairment loss of DKK 11.5 million, and interest charged amounts to DKK 1.2 million for the 12-months period ended 31 December 2020.
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.