

Reshape IVS

Christian X's Alle 89, st. th.
2800 Kongens Lyngby
Denmark

CVR no. 40 05 61 73

Annual report for the period 23 November 2018 – 31 March 2020

The annual report was presented and approved at the
Company's annual general meeting on

16 July 2020

Carl-Emil Grøn Christensen
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Reshape IVS for the financial period 23 November 2018 – 31 March 2020.

The annual report, which has not been audited, is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations for the financial period 23 November 2018 – 31 March 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Kongens Lyngby, 16 July 2020
Executive Board:

Carl-Emil Grøn Christensen

Daniel Storgaard

Magnus Nyborg Madsen

Board of Directors:

Lars Holger Dalgaard
Andersen
Chairman

Carl-Emil Grøn Christensen

Daniel Storgaard

Nicholas Peter Francis

Magnus Nyborg Madsen

The general meeting has decided that the financial statements for the coming year will not be audited. Management confirms that the Company fulfills the requirements to be exempt of audit.



Auditor's report on the compilation of financial statements

To the Management of Reshape IVS

We have compiled the financial statements of Reshape IVS for the financial period 23 November 2018 – 31 March 2020 based on the Company's bookkeeping records and other information provided by you. The financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies.

We performed our work in accordance with ISRS 4410 *Engagements to Compile Financial Statements*.

We have applied our professional expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the Danish Financial Statements Act. We have complied with the independence and other ethical requirements of the IESBA Codes of Ethics, which is based on fundamental principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion as to whether these financial statements are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 16 July 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

Reshape IVS
Annual report 2018/20
CVR no. 40 05 61 73

Management's review

Company details

Reshape IVS
Christian X's Alle 89, st. th.
2800 Kongens Lyngby
Denmark

CVR no.: 40 05 61 73
Financial period: 23 November 2018 – 31 March 2020

Board of Directors

Lars Holger Dalgaard Andersen, Chairman
Carl-Emil Grøn Christensen
Daniel Storgaard
Nicholas Peter Francis
Magnus Nyborg Madsen

Executive Board

Carl-Emil Grøn Christensen
Daniel Storgaard
Magnus Nyborg Madsen

Management's review

Operating review

Principal activities

Reshape Biotech was originally funded (soft funding) from Next-level funding from DTU Skylab and Innovationsfonden's InnoBooster. Thereto, a loan has been taken from a high-profile investor who may join with equity at a later point. The founders went full-time in August 2019 and has since then sold the first product to a customer and became finalists in Denmark's most prestigious hardware accelerator: Danish Tech Challenge

Development in activities and financial position

The profit for the period 23 November 2018 to 31 March 2020 shows a result of DKK 234,630.
The company's balance per 31 March 2020 shows an equity of DKK 244,630.

Events after the balance sheet date

Subsequent to the balance sheet date no events have occurred after the financial year-end, which could significantly affect the company's financial position

Financial statements 23 November 2018 – 31 March 2020

Income statement

DKK	Note	23/11 2018 - 31/3 2020
Gross profit		356,356
Staff costs	2	<u>-53,909</u>
Operating profit		302,447
Financial expenses		<u>-299</u>
Profit before tax		302,148
Tax on profit/loss for the year		<u>-67,518</u>
Profit for the year		<u><u>234,630</u></u>
Proposed profit appropriation		
Reserve for IVS company		30,000
Reserve for development costs		180,763
Retained earnings		<u>23,867</u>
		<u><u>234,630</u></u>

Financial statements 23 November 2018 – 31 March 2020

Balance sheet

DKK	Note	23/11 2018 - 31/3 2020
ASSETS		
Fixed assets		
Intangible assets		
Completed development projects		<u>231,757</u>
Total fixed assets		<u>231,757</u>
Current assets		
Receivables		
Trade receivables		67,316
Other receivables		<u>24,375</u>
		<u>91,691</u>
Cash at bank and in hand		<u>377,360</u>
Total current assets		<u>469,051</u>
TOTAL ASSETS		<u><u>700,808</u></u>

Financial statements 23 November 2018 – 31 March 2020

Balance sheet

DKK	Note	23/11 2018 - 31/3 2020
EQUITY AND LIABILITIES		
Equity		
Contributed capital		10,000
Reserve for IVS company		30,000
Reserve for development costs		180,763
Retained earnings		<u>23,867</u>
Total equity		<u>244,630</u>
Liabilities		
Non-current liabilities		
Payables to associates		12,000
Payables to related parties		300,000
Deferred tax		<u>50,986</u>
		<u>362,986</u>
Current liabilities		
Prepayments received from customers		53,853
Trade payables		6,077
Corporation tax		16,532
Other payables		<u>16,730</u>
		<u>93,192</u>
Total liabilities		<u>456,178</u>
TOTAL EQUITY AND LIABILITIES		<u>700,808</u>
Contractual obligations, contingencies, etc.		

Financial statements 23 November 2018 – 31 March 2020

Statement of changes in equity

DKK	Contributed capital	Reserve for IVS company	Reserve for development costs	Retained earnings	Total
Equity at 23 November 2018	10,000	0	0	0	10,000
Transferred over the profit appropriation	<u>0</u>	<u>30,000</u>	<u>180,763</u>	<u>23,867</u>	<u>234,630</u>
Equity at 31 March 2020	<u><u>10,000</u></u>	<u><u>30,000</u></u>	<u><u>180,763</u></u>	<u><u>23,867</u></u>	<u><u>244,630</u></u>

Financial statements 23 November 2018 – 31 March 2020

Notes

1 Accounting policies

The annual report of Reshape IVS for 2018/20 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue from the sale of goods where installation is a condition for significant risks being considered to have been transferred to the buyer is recognised as revenue when installation has been completed.

Revenue from the sale of goods where delivery has been postponed at the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

A contract is broken down by individual transactions when the fair value of the individual sales transactions may be reliably measured, and the individual sales transactions are of separate value to the buyer. Sales transactions are deemed to be of a separate value to the buyer when the transaction is individually identifiable and usually sold individually. The contract price is broken down by the individual sales transactions in accordance with the fair value method. The separate sales transactions are recognised as revenue when complying with the criteria applying to the sale of goods and services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

For products with a high degree of customisation, revenue is recognised as production takes place, and accordingly, revenue corresponds to the selling price of the work performed for the year (the percentage of completion method). When total income and costs attributable to the contract or the stage of completion at the balance sheet date cannot be estimated reliably, revenue is recognised only at costs incurred and only to the extent that the recovery thereof is likely.

Revenue from the sale of services is recognised on a straight-line basis in the income statement as the services are provided.

Services based on time spent are recognised in revenue as the work is performed.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Financial statements 23 November 2018 – 31 March 2020

Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 23 November 2018 – 31 March 2020

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash at bank and in hand

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Other reserves

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Financial statements 23 November 2018 – 31 March 2020

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 23 November 2018 – 31 March 2020

Notes

2 Staff costs

DKK	23/11 2018 - 31/3 2020
Wages and salaries	171,620
Other social security costs	<u>1,918</u>
	<u>173,538</u>
Average number of full-time employees	<u><u>4</u></u>

The total payroll costs for 2019 was 174 t.DKK, of which 120 t.DKK has been capitalized as development costs.