Implantica MediSwiss AG, Vaduz

Report of the Independent Auditor to the Board of Directors on the Financial Statements

Financial Statements 2018

KPMG (Liechtenstein) AG

Schaan, March 8, 2019

KPMG (Liechtenstein) AG
Audit
Landstrasse 99
LI-9494 Schaan

Telephone +423 237 70 40
Fax +423 237 70 50
www.kpmg.li
HR Nr. FL-0001.548.458-1

Report of the Independent Auditor to the Board of Directors on the Financial Statements of

Implantica MediSwiss AG, Vaduz

Opinion

We have audited the consolidated financial statements of Implantica MediSwiss AG and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet as at 31 December 2018, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements pursuant to Article 17a of the Liechtenstein Persons and Companies Act (PGR).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the additional requirements pursuant to Article 17a of the PGR. In addition, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, 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 internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— 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 the Board of Directors 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.

KPMG (Liechtenstein) AG

Lars Klossack
Chartered Accountant

Reto Benz
Swiss Certified Accountant

Schaan, March 8, 2019

Enclosure:
- Consolidated financial statements, which comprise the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements

Implantica

Consolidated Financial Statements

31 December 2018

Smart Medical Implants

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in EUR	Notes	2018	2017
Net Sales		17,867	0
Cost of sales		-298	0
Gross profit		**17,569**	**0**
Research and development costs		-607,404	-361,896
General and administrative costs		-4,518,013	-3,514,414
Operating loss		**-5,107,848**	**-3,876,309**
Financial income	7	167,328	104,157
Financial expenses	7	-199,164	-126,990
Loss before taxes		**-5,139,684**	**-3,899,142**
Income taxes	8	585,562	773,985
Loss for the period, attributable to shareholders		**-4,554,122**	**-3,125,157**
Earnings per share			
Basic earnings (loss) per share Class A	9	-0.25	-0.17
Basic earnings (loss) per share Class B	9	-0.05	-0.03
Diluted earnings (loss) per share Class A	9	-0.25	-0.17
Diluted earnings (loss) per share Class B	9	-0.05	-0.03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in EUR	Notes	2018	2017
Loss for the period, attributable to the shareholders		**-4,554,122**	**-3,125,157**
Other comprehensive income			
Remeasurement of net defined benefit liability	*19.4*	73,704	70,927
Related income taxes		-10,665	-10,263
Items that will not be reclassified to profit or loss, net of income taxes		*63,039*	*60,664*
Translation differences		-22,509	20,215
Items that may be reclassified subsequently to profit or loss, net of income taxes		*-22,509*	*20,215*
Other comprehensive income / (loss), net of income taxes		***40,529***	***80,879***
Total comprehensive loss for the period, attributable to shareholders		**-4,513,593**	**-3,044,278**

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR	Notes	31. Dec. 2018	31. Dec. 2017
Current assets			
Cash and cash equivalents		77,725	114,753
Accounts receivables		19,208	0
Other current receivables	*10*	281,279	152,392
Inventories		151,998	54,509
Total current assets		**530,210**	**321,654**
Non-current assets			
Property, plant and equipment	*11*	123,325	114,920
Intangible assets	*12*	16,169,235	11,882,475
Deferred tax assets	*8.2*	1,633,228	1,039,771
Total non-current assets		**17,925,787**	**13,037,166**
Total assets		**18,455,998**	**13,358,820**

LIABILITIES AND EQUITY

in EUR	Notes	31. Dec. 2018	31. Dec. 2017
Current liabilities			
Trade accounts payable	*13*	136,020	54,509
Other short-term liabilities	*14*	2,884,000	2,840,717
Total current liabilities		**3,020,020**	**2,895,226**
Non-current liabilities			
Other non-current financial liabilities	*15*	195,839	0
Pension liability	*19*	147,308	139,236
Total non-current liabilities		**343,147**	**139,236**
Total liabilities		**3,363,167**	**3,034,462**
Equity			
Share capital		84,571,200	84,571,200
Capital reserves		198,473,434	197,464,290
Translation differences		-17,832	4,677
Retained earnings		-267,933,972	-271,715,808
Total equity		**15,092,831**	**10,324,358**
Total liabilities and equity		**18,455,998**	**13,358,820**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR	Notes	2018	2017
Loss for the period		**-4,554,122**	**-3,125,157**
Adjustments for			
Depreciation and amortization	*5*	55,945	19,465
Financial income	*7*	-167,328	-104,157
Financial expenses	*7*	199,164	126,990
Income taxes	*8*	-585,562	-773,985
Expenses for share-based compensation		1,243,419	1,354,502
Income taxes paid		-2,280	0
Other financial result		-6,581	-3,884
Change in pension liabilities		77,113	78,745
Other non-cash items		166,943	-2,179
Changes in net working capital			
Accounts receivable		-19,208	0
Other short-term assets		-217,724	-56,921
Trade accounts payable		81,511	54,509
Other short-term liabilities		1,567	674,855
Cash flows from operating activities		**-3,727,144**	**-1,757,217**
Cash flows from investing activities			
Purchase of property, plant and equipment	*11*	-35,803	-96,109
Investment in intangible assets	*12*	-4,310,435	-4,949,759
Interest received		17	4
Cash flows from investing activities		**-4,346,222**	**-5,045,864**
Cash flows from financing activities			
Shareholders contribution	*17.1*	8,038,646	6,751,769
Interest paid		-2,421	-2,295
Cash flows from financing activities		**8,036,225**	**6,749,474**
Net change in cash and cash equivalents		**-37,140**	**-53,607**
Effect of exchange rate fluctuations on cash held		112	-6,522
Cash and cash equivalents, beginning of period		114,753	174,882
Cash and cash equivalents, end of period		**77,725**	**114,753**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Notes	Owner's net investment	Share capital [1]	Capital reserves	Translation differences	Retained earnings	Equity
Balance at December 31, 2016		**4,060,078**	**0**	**0**	**-15,538**	**1,217,825**	**5,262,365**
Loss for the period, attributable to shareholders		0	0	0	0	-3,125,157	-3,125,157
Other comprehensive loss (net)		0	0	0	20,215	60,664	80,879
Total comprehensive loss (net)		***0***	***0***	***0***	***20,215***	***-3,064,493***	***-3,044,278***
Share issuance and foundation of Implantica MediSwiss AG [1]	*17*	-4,060,078	84,571,200	197,332,800		-277,843,922	0
Shareholders contribution	*17.1*	0	0	131,490	0	6,620,280	6,751,769
Share based compensation	*18*	0	0	0	0	1,354,502	1,354,502
Total transactions with shareholders		**-4,060,078**	**84,571,200**	**197,464,290**	**0**	**-269,869,140**	**8,106,272**
Balance at December 31, 2017		**0**	**84,571,200**	**197,464,290**	**4,677**	**-271,715,808**	**10,324,358**
Loss for the period, attributable to shareholders		0	0	0	0	-4,554,122	-4,554,122
Other comprehensive loss (net)		0	0	0	-22,509	63,039	40,529
Total comprehensive loss (net)		***0***	***0***	***0***	***-22,509***	***-4,491,083***	***-4,513,593***
Shareholders contribution	*17.1*	0	0	1,009,145	0	7,029,501	8,038,646
Share based compensation	*18*	0	0	0	0	1,243,419	1,243,419
Total transactions with shareholders		***0***	***0***	***1,009,145***	***0***	***8,272,920***	***9,282,065***
Balance at December, 31, 2018		**0**	**84,571,200**	**198,473,434**	**-17,832**	**-267,933,972**	**15,092,830**

[1] Implantica MediSwiss AG was founded on 22 February 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

1.1 Background and reporting entity

Implantica MediSwiss AG (the 'Company') is domiciled in Vaduz, Liechtenstein. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the medical implant business.

The Implantica business has been operated in the past through legal entities, which were not bundled in a legal structure. However, the business was operated under common control.

In order to establish the Implantica Group all companies comprising the Implantica business activities have been transferred to Implantica MediSwiss AG, Liechtenstein, the newly formed parent company. The legal transfers of the legal entities allocated to the Implantica Group in the context of the reorganisation under corporate law have been completed in 2017. The companies which are included in the Consolidated Financial Statements are listed in note 20.

It is intended that Implantica MediSwiss AG will be admitted to trading on the regulated market of the SIX Swiss Exchange. The issuer of shares for the planned flotation will be Implantica MediSwiss AG.

These Consolidated Financial Statements were approved on March 8, 2019 by the Company's Board of directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as to be applied in the European Union (EU) as at December 31, 2018, and the additional requirements pursuant to Article 17a of the Liechtenstein Persons and Companies Act (PGR).

The Consolidated Financial Statements are presented in Euros (EUR), as this will be the major currency in which revenues will be denominated. The functional currency of Implantica MediSwiss AG is the Swiss franc ("CHF"). The Consolidated Financial Statements are prepared on the historical cost basis.

2.2 Basis of consolidation

Subsidiaries are all companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Businesses acquired during the year are consolidated from the date on which control is transferred to the Group, and businesses to be divested are included up to the date on which control passes from the Group.

Intercompany balances, transactions and resulting unrealised income are eliminated in full.

2.3 Critical accounting estimates and judgements

The preparation of these Consolidated Financial Statements requires management to make assumptions and estimates that affect the reported amounts of expenses, assets and liabilities at the date of the Financial Statements. If in the future such assumptions and estimates deviate from the actual circumstances, the original assumptions and estimates will be modified as appropriate in the year in which the circumstances change. The valuation of the following material positions is based on the critical accounting estimates and judgements:

Intangible assets – capitalized costs: Based on the criteria in IAS 38.57, after the technical feasibility of in-house developed products has been demonstrated, the Group starts to capitalize the related development and patent costs, until the product is ready for market launch. However, there can be no guarantee that such products will complete the development phase or will be commercialized or that market conditions will not change in the future, requiring a revision of management's assessment of future cash flows related to those products. Such changes can lead to accelerated amortization and impairment charges.

Specifically, management is required to make estimates and judgements in the area of developing and financing of intangible assets not yet in use. As such, the Group faces development risks in terms of finalizing the development and launch of its products. Development risk includes the risk that the product does not obtain regulatory approval and therefore technical feasibility is not given. Financing risk exists should the Group not be able to raise adequate funding and/or should cash flows generated from existing products fail to sufficiently finance the development and commercialisation of products still in development.

Deferred tax assets – recognition: Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized. As such, management is required to make estimates and judgements in the area of recognition of deferred tax assets because of the uncertainty related to the estimation of probable future taxable profits.

2.4 New Financial Reporting Standards applicable as of January 1st, 2018

The Group has initially applied IFRS 15 and IFRS 9 (see below) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

IFRS 9 "Financial Instruments": The standard replaces IAS 39 and introduces new requirements for classifying and measuring financial assets that have been applied starting January 1, 2018. Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There is no change to the initial measurement of the Company's financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. ECLs are a probability-weighted estimate of credit losses. ECLs for trade receivables and other current receivables have been evaluated and is not material for the company. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

FINANCIAL ASSETS/LIABILITIES	ORIGINAL CLASSIFICATION IAS 39	NEW CLASSIFICATION IFRS 9
CASH AND CASH EQUIVALENTS	Loans & Receivables (Amortized cost)	Financial Assets measured at amortized cost
OTHER CURRENT RECEIVABLES	Loans & Receivables (Amortized cost)	Financial Assets measured at amortized cost
SHORT-TERM FINANCIAL DEBT	Other Financial Liabilities (Amortized cost)	Other Financial Liabilities (Amortized cost)
ACCOUNTS PAYABLE	Other Financial Liabilities (Amortized cost)	Other Financial Liabilities (Amortized cost)
OTHER SHORT-TERM LIABILITIES	Other Financial Liabilities (Amortized cost)	Other Financial Liabilities (Amortized cost)

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued in May 2014 and establishes a five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Company applied the standard starting from January 1, 2018. As the Group's revenues are not yet material, there is no material impact from the first-time adoption of the new standard.

3 PUBLISHED FINANCIAL REPORTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

The IASB and the IFRS Interpretations Committee have issued the following standards, amendments to standards whose application was not yet mandatory for annual periods beginning on or before January 1, 2019. The standards and interpretations that are issued, but not yet effective and are potentially relevant for the Group are disclosed below. The Group intends to adopt these standards when they become effective:

IFRS 16 “Leases”: IFRS 16 was issued on January 13, 2016 and must be applied starting January 1, 2019. The standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional recognition exemptions for short-term leases and leases of low value items. The Company will apply the new standard starting from January 1, 2019. Based on the information currently available, the Group estimates no additional lease liabilities of as at 1 January 2019 (see note 22).

IFRIC 23 “Uncertainty over Income Tax Treatments”: IFRIC 23 was issued in June 2017 and specifies how to reflect uncertainty in accounting for income taxes. Application of IFRIC 23 is mandatory for annual periods beginning on or after January 1, 2019. The current assessment of the Group is that the measurement of taxes will not be impacted.

Improvements and other amendments to IFRS: A number of standards have been modified on miscellaneous points. None of these amendments are expected to have a material effect on the Group’s Financial Statements.

4 GENERAL ACCOUNTING POLICIES

4.1 Translation of foreign currencies

Transactions in foreign currencies are converted into the functional currency at the exchange rate applicable on the transaction date. At the balance sheet date, assets and liabilities in foreign currencies are converted into the functional currency at the exchange rate applicable on that date, and any exchange rate differences are recorded in the statement of profit or loss.

On consolidation, assets and liabilities of foreign operations whose functional currency is not the Euro are converted into Euros at the exchange rate prevailing on the balance sheet date. Statement of profit or loss, cash flow statement and other movement items are converted into Euros at average exchange rates for the period, provided they approximate the figures which would result from the application of transaction date rates. If not, transactions are converted at effective transaction rates. Exchange gains and losses arising from translation of foreign operations are recognized in other comprehensive income and reported separately as currency translation adjustments.

4.2 Exchange rates applied to key foreign currencies

Currency	Unit	Average rates 2018	Closing rates 31. Dec. 2018	Average rates 2017	Closing rates 31. Dec. 2017
CHF	1	0.86616	0.88731	0.90079	0.85523
USD	1	0.85049	0.87336	0.88726	0.83482
SEK	100	9.75347	9.75134	10.04342	9.83326

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits with banks and short-term money market investments with a maturity not exceeding 3 months.

4.4 Trade receivables

A trade receivable without a significant financing component is initially measured at the transaction price. Subsequently accounts receivables are stated at their amortized cost minus any necessary adjustments for doubtful accounts. Adjustments are made if there is objective evidence that the amount may not be received in full.

4.5 Impairment of financial assets

According to IFRS 9, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity always accounts for expected credit losses (ECL), and changes in thosese expected credit losses. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Credit losses are measured as the present value of all cash shortfalls. Implantica incorporates forward-looking information into its assessment for other receivables and trade receivables.

4.6 *Property, plant & equipment*

Property plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Depreciation expense utilizes the straight-line method over the estimated useful life of the assets or, if shorter, the term of the leasehold improvements.

Assets are depreciated to their residual value, which is usually determined as zero. The useful lives are summarized as follows:

	Years
Furniture	8
Vehicles/Tools	5
IT/Hardware	5

The costs and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts, and resulting gains or losses are reflected in the statement of profit or loss.

4.7 *Intangible assets*

Development costs and clinical trials: Development activities involve a plan or design for the production of new or substantially improved products and processes. The development expenditure is capitalized only if developments costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets. Development expenditure capitalized includes the cost of materials, external services, personnel and temporary employees. Furthermore, patent costs are capitalized and include legal fees in filing of new applications, prosecuting applications and maintaining granted patents. Renewable patent fees are capitalized until finalization of the development process. Other development expenditure is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Software: Expenditure on the implementation of software, including licenses and external consulting fees, is capitalized.

Amortization is applied using the straight-line method over the estimated useful life of the intangible asset concerned. Amortization begins when the asset is available for use and for each period the amortization is recognized in profit or loss.

The following table shows the respective useful lives:

	Years
Software	3
Development costs	10

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Indefinite-life intangible assets and intangible assets not yet available for use (i.e. development costs) are tested for impairment at least annually and upon the occurrence of an indication of impairment.

4.8 *Research costs*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

4.9 *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case it is recognized in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period and any adjustment to tax payable in respect of previous years. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the financial period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off its current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.10 Provisions

Implantica recognizes a provision if it has a present legal or constructive obligation to transfer economic benefits as a result of past events and if a reasonable estimate of the obligation can be made and an outflow of resources is probable.

4.11 Revenue Recognition

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services. The Group mainly focuses on the sale of medical implants. These products are primarily sold to hospitals. Revenue is recognised at a point in time once the customer obtains control over the product (according to the different terms of delivery). Invoices are usually payable within 60 days.

4.12 Employee benefits – retirement and long-service leave benefit plans (IAS 19)

The Implantica Group joined a collective pension plan operated by an insurance company as of January 1, 2015 which covers the employees of Implantica Management AG, Zug (2016) and Implantica AG, Baar (2015), Switzerland.

Both the Company and the participants provide monthly contributions to the pension plan which are based on the covered salary. The respective saving parts of premium are credited to employees' accounts. In addition, interest is credited to employees' accounts at the rate provided in the plan. The pension plan provides for retirement benefits as well as benefits on long-term disability and death.

The pension plan qualifies as a defined benefit plan in accordance with IFRS. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Actuarial Valuation Method - To determine the present value of the defined benefit obligation and the related current service cost and, where applicable, past service cost, the Projected Unit Credit Method has been used. This method is based on the amount of working years at the date of the actuarial valuation and considers the future by including

- a discount rate
- the salary development and leaving probability up to the beginning of the benefit payment
- inflation adjustments for the years after the first payment for recurring benefits

All economic and demographic assumptions used in the calculation should be unbiased, i.e. neither imprudent nor excessively conservative, and mutually compatible. They can be considered as mutually compatible if they reflect the economic relationships between factors such as inflation, rates of salary increase, the return on plan assets and discount rates.

Economic assumptions should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.

The liability recognized in the balance sheet in regard to defined benefit retirement benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets for funded plans. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method, considering possible risk sharing arrangements. When the calculation results in a benefit to the Implantica Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The components of defined benefit costs are as follows:

- Service costs, which are recognized in the consolidated income statement within operating result
- Interest expense or income on net liability or asset, which is recognized in the consolidated income statement within financial result
- Remeasurements, which are recognized in the statement of comprehensive income

Service costs include current service costs, past service costs and gains or losses on plan curtailments and settlements. When the benefits of a plan are changed, or when a plan is curtailed or settled, the portion of the changed benefits related to employee service in prior periods (past service costs), or the gains or losses on curtailments and settlements, are recognized immediately in profit or loss when the plan amendments or curtailments and settlements occur.

Interest expense or income is calculated by applying the discount rate to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

4.13 Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meets the related service at the vesting date.

5 OPERATING EXPENSES BY NATURE

in EUR	2018	2017
Personnel expense	-2,313,403	-2,184,395
Marketing	-190,261	-19,554
Material & equipment	-33,330	-22,512
Rental expense	-132,678	-127,386
Consulting expense	-1,792,740	-733,907
Communication & IT	-250,637	-229,164
Depreciation and amortization	-55,945	-19,465
Insurance, charges & capital taxes	-58,058	-43,271
Other operating expense	-298,366	-496,655
Total operating expenses	**-5,125,418**	**-3,876,309**

6 PERSONNEL EXPENSE

in EUR	2018	2017
Salaries and wages	-692,414	-470,901
Social security contributions	-67,464	-52,664
Pension defined benefits plans	-96,662	-80,645
Share based compensation	-1,243,419	-1,509,218
Other personnel expenses	-213,444	-70,967
Total personnel expenses	**-2,313,403**	**-2,184,395**
Average number of employees	*15*	*13*
thereof male	*9*	*8*
thereof female	*6*	*5*
Average number of employees (full-time equivalent basis)	*10*	*10*

7 FINANCIAL INCOME AND EXPENSE

in EUR	2018	2017
Interest income	17	4
Foreign exchange gains	167,311	104,153
Total financial income	**167,328**	**104,157**
Interest expense	-2,422	-2,295
Bank charges	-6,581	-3,884
Foreign exchange losses	-190,161	-120,811
Total financial expenses	**-199,164**	**-126,990**

The foreign exchange gains/ -losses are primarly driven by short-term accounts receivable and payable denominated in foreign currency (USD / CHF).

8 INCOME TAXES

8.1 Income taxes in statement of profit or loss and reconciliation

in EUR	2018	2017
Current income taxes	-1,559	-2,202
Deferred income taxes	587,121	776,187
Total income taxes	**585,562**	**773,985**

The income taxes can be analyzed as follows:

in EUR	2018	2017
Loss before taxes	-5,139,684	-3,899,142
Group's weighted average rate	19.0%	19.4%
Income taxes at expected Group tax rate	**976,107**	**756,857**
Tax losses not capitalized	-725,321	-489,774
Deductible temporary differences for which no deferred tax asset is recognized	0	0
Tax deductions in the current year for which no deferred tax assets were recognised	0	11,696
Capitalisation of previously unrecognised deferred tax assets	394,877	600,031
Income taxed at other rates	-60,101	-104,825
Income taxes reported	**585,562**	**773,985**
Effective tax rate	11.4%	19.9%

The tax rate of the Group is the weighted average tax rate obtained by applying the currently effective rate for each individual jurisdiction to its respective profit before taxes. As a result of changes in the country mix of the profit before taxes, the Group’s expected tax rate changed from 19.4% (2017) to 19.0% (2018).

8.2 Deferred income taxes

8.2.1 Overview

in EUR	31. Dec. 2018	31. Dec. 2017
Deferred tax assets	1,633,228	1,039,771
Deferred tax liabilities	0	0
Net deferred tax assets at December 31	**1,633,228**	**1,039,771**

Deferred tax assets and liabilities are attributable to the following:

in EUR 2018	Deferred tax assets / (liabilities) Jan-1	Deferred tax (expenses) / income	Deferred tax through OCI	Translation differences	Deferred tax assets / (liabilities) 31-Dec
Intangible assets	613,523	394,877	0	0	1,008,400
Share based compensation	406,100	179,923	0	16,235	602,258
Pension defined benefits plans	20,148	11,067	-10,665	766	21,316
Inventory	0	1,254	0	0	1,254
Total deferred tax assets	**1,039,771**	**587,121**	**-10,665**	**17,001**	**1,633,228**
Deferred tax liabilities	0	0	0	0	-
Total deferred tax liabilities	**0**	**0**	**0**	**0**	**-**

in EUR 2017	Deferred tax assets / (liabilities) Jan-1	Deferred tax (expenses) / income	Deferred tax through OCI	Translation differences	Deferred tax assets / (liabilities) 31-Dec
Intangible assets	16,863	600,031	0	-3,371	613,523
Share based compensation	262,530	164,233	0	-20,663	406,100
Pension defined benefits plans	20,664	11,922	-10,263	-2,176	20,148
Total deferred tax assets	**300,057**	**776,187**	**-10,263**	**-26,210**	**1,039,771**
Deferred tax liabilities	0	0	0	0	-
Total deferred tax liabilities	**0**	**0**	**0**	**0**	**-**

8.2.2 Not capitalized tax loss carry-forwards

The tax loss carry-forward not capitalized refers to the losses in the Liechtenstein and Malta entities (unlimited) and to the losses within the Swiss Companies (1^{st}-7^{th} year).

	Gross value		Potential tax benefits	
in EUR	2018	2017	2018	2017
Expiring in				
1st-7th year	0	0	0	0
Unlimited	0	0	0	0
Tax loss carry-forwards capitalized at December 31	**0**	**0**	**0**	**0**
Expiring in				
1st-7th year	-1,321,324	-1,042,929	-191,196	-150,912
Unlimited	-2,489,641	-1,480,266	-532,567	-392,562
Tax loss carry-forwards not capitalized at December 31	**-3,810,965**	**-2,523,196**	**-723,762**	**-543,474**
Total tax loss carry-forwards	**-3,810,965**	**-2,523,196**	**-723,762**	**-543,474**

9 EARNINGS PER SHARE

For purposes of the earnings per share calculation in 2018, management has used the weighted, average outstanding shares between Jan. 1, 2018 and Dec. 31, 2018 as the denominator (2017: between incorporation of shares on Feb. 22, 2017 and Dec. 31, 2017). The share capital of the Company is CHF 90'000'000, fully paid and divided into 13'500'000 registered shares (Class A), each with a nominal value of CHF 5 and 22'500'000 registered shares (Class B), each with a nominal value of CHF 1. Earnings per category of share were calculated on the basis of the portion of net loss attributable to the shareholders in Implantica MediSwiss AG, based on their portion of the share capital and the average number of outstanding shares (issued shares less treasury shares). The impact of share based payments arrangements are considered in the diluted earnings per share of Class A.

The basic and diluted earnings per share are as follows:

in EUR	2018	2017
Loss for the period	-4,554,122	-3,125,157
Percentage of Class A outstanding in comparison with the Share capital outstanding	75.00%	75.00%
Percentage of Class B outstanding in comparison with the Share capital outstanding	25.00%	25.00%
Class A shares		
Loss for the period, attributable to Class A shareholders	-3,415,592	-2,343,868
Average number of shares outstanding	13,500,000	13,500,000
Basic earnings (loss) per share Class A (in EUR)	**-0.25**	**-0.17**
Average number of diluted shares outstanding	13,647,476	13,596,480
Diluted earnings (loss) per share Class A (in EUR)	**-0.25**	**-0.17**
Class B shares		
Loss for the period, attributable to Class B shareholders	-1,138,531	-781,289
Average number of shares outstanding	22,500,000	22,500,000
Basic earnings (loss) per share Class B (in EUR)	**-0.05**	**-0.03**
Average number of diluted shares outstanding	22,500,000	22,500,000
Diluted earnings (loss) per share Class B (in EUR)	**-0.05**	**-0.03**

10 OTHER CURRENT RECEIVABLES

in EUR	31. Dec. 2018	31. Dec. 2017
Receivables from owners	0	0
Receivables from related parties	0	0
Subtotal to owners and other related parties	**0**	**0**
Other receivable third party		
VAT and other tax receivables	34,753	62,319
Prepaid expenses	125,952	73,423
Accrued income	120,574	16,650
Total other current receivables	**281,279**	**152,392**

11 PROPERTY, PLANT AND EQUIPMENT

in EUR	Furniture	IT/Hardware	Vehicles/Tools	**Total**
At cost				
Balance at January 1, 2017	13,226	38,168	0	51,394
Additions	31,269	42,891	21,949	96,109
Translation differences	-2,264	-2,559	0	-4,823
Balance at December 31, 2017	**42,231**	**78,500**	**21,949**	**142,680**
Balance at January 1, 2018	42,231	78,500	21,949	142,680
Additions	12,047	23,756	0	35,803
Translation differences	1,386	1,494	0	2,880
Balance at December 31, 2018	**55,664**	**103,750**	**21,949**	**181,363**

in EUR	Furniture	IT/Hardware	Vehicles/Tools	**Total**
Accumulated depreciation				
Balance at January 1, 2017	-1,632	-7,573	0	-9,205
Annual depreciation	-3,760	-12,778	-2,927	-19,465
Translation differences	270	640	0	910
Balance at December 31, 2017	**-5,122**	**-19,711**	**-2,927**	**-27,760**
Balance at January 1, 2018	-5,122	-19,711	-2,927	-27,760
Annual depreciation	-6,311	-18,710	-4,390	-29,411
Translation differences	-286	-581	0	-867
Balance at December 31, 2018	**-11,719**	**-39,002**	**-7,317**	**-58,038**

in EUR	Furniture	IT/Hardware	Vehicles/Tools	**Total**
Net book value				
Net book value December 31, 2017	**37,109**	**58,789**	**19,022**	**114,920**
Net book value December 31, 2018	**43,945**	**64,748**	**14,632**	**123,325**

12 INTANGIBLE ASSETS

The intangible assets consist of two categories software and different products Implantica intends to bring to market. Software is depreciated over its useful life. The products Implantica intends to bring to market are not yet available for use and depreciation will only commence with market launch. For the purpose of impairment testing, the development costs have been allocated to the Group's CGUs as shown in Table Allocation of development costs.

in EUR **At cost**	**Development Cost**	**Software**	**Total**
Balance at January 1, 2017	7,152,716	0	7,152,716
Transfer 1)	-220,000	0	-220,000
Additions	4,949,759	0	4,949,759
Annual amortization	0	0	0
Balance at December 31, 2017	**11,882,475**	**0**	**11,882,475**
Balance at January 1, 2018	11,882,475	0	11,882,475
Additions	4,166,809	143,626	4,310,435
Translation differences	0	3,507	3,507
Balance at December 31, 2018	**16,049,284**	**147,133**	**16,196,417**

[1)] Cancellation of an invoice in the amount of EUR 220'000 which has previously been capitalized as development cost. Cancellation was recorded as decrease of intangible assets and accounts payables (transfer between those balance sheet positions).

in EUR **Accumulated amortisation**	**Development Cost**	**Software**	**Total**
Balance at January 1, 2017	0	0	0
Additions	0	0	0
Annual amortization	0	0	0
Balance at December 31, 2017	**0**	**0**	**0**
Balance at January 1, 2018	0	0	0
Additions	0	0	0
Annual amortization	0	-26,534	-26,534
Translation differences	0	-648	-648
Balance at December 31, 2018	**0**	**-27,182**	**-27,182**

in EUR	Development	Software	**Total**
Net book value			
Net book value Dec. 31, 2017	**11,882,475**	**0**	**11,882,475**
Net book value December 31, 2018	**16,049,284**	**119,951**	**16,169,235**

Allocation of development costs:

in EUR	2018	2017
RefluxStop	12,324,508	9,419,540
Other Units not yet available for use	3,724,776	2,462,935
Total	**16,049,284**	**11,882,475**

The impairment test for the CGU “Reflux” is performed by comparing the carrying value of the assets with their recoverable amount of the cash generating unit. Implantica determines the recoverable amount by applying a value-in-use calculation. An impairment will be recorded if the carrying value of the cash-generating units exceeds its value in use. The valuation is carried out on the basis of projected future free cash flows from cash-generation using the discounted cash flow (DCF) method. The values assigned to the key assumptions outlined further below represent management’s assessment of the core product’s commercialization potential as well as of future trends in the relevant industry and have been based on historical data from both external and internal sources.

The projected cash flows are derived from the business plan of Implantica which has been prepared by the management of the Group. The business plan covers a planning period of 15 years. For the annual impairment test the applied (pre-tax) WACC is 35% (prior year: 31%). The WACC has been derived by using market data from peer group companies and considering the development status of Implantica’s products. The rate increased mainly due to a higher equity ratio derived for peer companies in the healthcare sector. The terminal growth rate is assumed to be 1% (2017: 1%), which is consistent with the assumptions that a market participant would make. The impairment test carried out on this cash generating unit shows that in the event of a possible increase in the discount rate of 5 percentage points or/and terminal sales growth being zero, all values in use would still exceed the respective book value.

For other units not yet available for use the same calculation and assumptions have been applied.

13 TRADE ACCOUNTS PAYABLE

in EUR	31. Dec. 2018	31. Dec. 2017
Trade accounts payable CHF	29,697	54,509
Trade accounts payable SEK	106,323	0
Total accounts payable	**136,020**	**54,509**

14 OTHER SHORT-TERM LIABILITIES

in EUR	31. Dec. 2018	31. Dec. 2017
Liabilities to shareholders	0	0
Liabilities to related parties	8,327	137,907
Subtotal to shareholders and other related parties	**8,327**	**137,907**
Accounts payable	1,674,485	1,698,259
VAT and other tax payables	6,304	2,390
Accrued expenses	945,478	513,180
Other short-term liabilities	249,406	488,981
Subtotal to third parties	**2,875,673**	**2,702,810**
Total other short-term liabilities	**2,884,000**	**2,840,717**

15 OTHER NON-CURRENT LIABILITIES

in EUR	Other non-current liabilities	**Total non-current**
Balance at January 1, 2017	0	0
Increase / (Decrease)	0	0
Translation differences	0	0
Balance at December 31, 2017	**0**	**0**
Balance at January 1, 2018	0	0
Increase / (Decrease)	195,839	195,839
Translation differences	0	0
Balance at December 31, 2018	**195,839**	**195,839**

The other non-current liabilities of EUR 195,839 comprise liabilities arising from service provider. The liabilities arising from service provider are due at an interest rate of 5% and expires in 2020.

16 RELATED PARTIES

in EUR	31. Dec. 2018	31. Dec. 2017
Related parties receivables	**0**	**0**
thereof other current receviables from companies controlled by shareholders	0	0
thereof other current receviables from companies controlled by BoD	0	0
Related parties liabilities	**8,327**	**137,907**
thereof other short-term liabilities to the owners	0	0
thereof other short-term liabilities to companies controlled by the shareholders	0	0
thereof other short-term liabilities to companies controlled by the BoD	0	137,907
thereof accounts payable to companies controlled by the BoD	8,327	0

The related parties receivables show outstanding amounts against companies controlled by Dr. Peter Forsell in quality as main shareholder. The related parties liabilities show amounts against companies controlled by the shareholders as well as against companies controlled by Board of Directors of entities included in the Consolidated Financial Statements. The liabilities to Dr. Peter Forsell in quality as main shareholder were interest free current accounts. The services rendered by companies controlled by Board of Directors were related to bookkeeping, legal counselling as well as to administrative work in relation to the development activities. The services purchased from related parties amounted to EUR 150’413 for 2018 (EUR 198’012 in 2017). There are no outstanding loans by the Group to any members of the Board of Directors or the Executive Committee. For distributions and contributions to and from Dr. Peter Forsell, in quality as main shareholder, refer to notes 17.1 and 17.2.

Group Executive board's compensation comprised the following:

in EUR	31. Dec. 2018	31. Dec. 2017
Short-term employee benefits	-286,219	-297,662
Pension defined benefits plans	-98,161	-94,896
Share-based compensation	-1,243,419	-1,509,218
Total	**-1,627,799**	**-1,901,776**

Compensation of the Group Executive board includes salaries and social security contributions, post-employment defined benefit plan as well as share based compensation arrangements.

17 EQUITY

Prior to formation of Implantica MediSwiss AG, funding by owner was reflected through the movement in owner's net investment.

Upon the completion of the reorganisation all companies controlled by Dr. Peter Forsell have been transferred to Implantica MediSwiss AG (contribution in kind). As part of the formation of Implantica Group the Company issued ordinary shares to Dr. Peter Forsell, resulting in share capital of CHF 90'000'000 (EUR 84'571'200). The share capital is fully paid and divided into 13'500'000 registered shares (Class A), each with a nominal value of CHF 5 and 22'500'000 registered shares (Class B), each with a nominal value of CHF 1.

17.1 Shareholders contribution

In 2018, Dr. Peter Forsell in quality as main shareholder, has made irrevocable and unconditional capital contributions in the amount of EUR 8'038'646 (2017: 6'751'769 EUR), by means of waiving outstanding current accounts (incl. cash advanced).

17.2 Translation differences

The translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

18 SHARE-BASED COMPENSATION

The Group has committed to a share option based compensation plan to employee and non-employee who distinguished themselves by a particular strong commitment to the Group. The total share-based payment expenses amounts to EUR 1'243'419 in 2018 and EUR 1'354'502 in 2017. Thereof EUR 0 (2018) and EUR 154'715 (2017) have been recorded as consulting expenses.

18.1 Share option programm with employees and board of directors

On November 1, 2015, options were granted to an employee with ordinary Class A shares of Implantica MediSwiss AG, planned for realisation in the near future. The program was implemented for 5 years and divided into 6 tranches. The shares were allocated to the employee free of charge (exercise price = 0 CHF). In May 2017 the numbers of options granted have been increased leaving the other terms and conditions unchanged.

The key terms and conditions related to the grants under this program are as follows; all options are to be settled by the physical delivery of shares.

	Nr. of options	Grant date	Vesting date	Expiration date
Tranche 1	24,938	31.05.17	31.05.17	31.05.22
Tranche 2	15,750	31.05.17	31.05.18	31.05.23
Tranche 3	15,750	31.05.17	31.05.19	31.05.24
Tranche 4	15,750	31.05.17	31.05.20	31.05.25
Tranche 5	6,562	31.05.17	31.10.20	31.05.23
Tranche 6	11,250	31.05.17	31.05.17	31.05.22
Total	90,000			

On January 1, 2018, options were granted to employees and board members with Class A shares of Implantica MediSwiss AG, planned for realisation in the near future. The program was implemented for 5 years and divided into 6 tranches. The shares were allocated to the employee free of charge (exercise price = 0 CHF).

The key terms and conditions related to the grants under this program are as follows; all options are to be settled by the physical delivery of shares.

	Nr. of options	Grant date	Vesting date	Expiration date
Tranche 1	16,969	01.01.18	31.12.18	31.12.22 & 31.12.25
Tranche 2	7,420	01.01.18	31.12.19	31.12.23 & 31.12.26
Tranche 3	7,420	01.01.18	31.12.20	31.12.24 & 31.12.27
Tranche 4	7,420	01.01.18	31.12.21	31.12.25 & 31.12.28
Tranche 5	7,420	01.01.18	31.12.22	31.12.26 & 31.12.29
Tranche 6	4,347	01.01.18	31.12.18	31.12.22 & 31.12.25
Total	50,996			

18.2 Share option program with non-employee

Effective from January 1, 2016, a non-employee was granted participation in a share program, receiving shares according to a settled share plan for consulting services. The issued share program granted to the consultant ordinary shares of the new company (IPO entity), planned for realisation in the near future. The program was implemented for 5 years and divided into 7 tranches, vesting details highlight at which date the non-employee is entitled to how many shares, ending on December 31, 2020. The non-employee was granted a guaranteed percentage of ownership of 0.15%. The shares were allocated free of charge (exercise price = 0 CHF).

Due to termination of the non-employee contract as per 30 June 2017, the non-employee was only entitled to tranche 1 (2’160 options) and tranche 2 (4’320 options) which leads to a decrease of consulting expense in 2017 (EUR 154’715).

18.3 Measurement of fair values

All equity-settled transactions are measured at fair value at grant date and recognized as expenses over the vesting period. Share-based payment transactions with employees are measured with reference to the fair value of the equity instruments granted. Since the services acquired from non-employees cannot be measured reliably, the services are measured indirectly – i.e. with reference to the fair value of the equity instruments granted.

As there is no publicly traded market price available for the Group at the grant date of the share agreements and the group entity is not realising any revenues at the point of time in regards of its early business lifecycle stage, it is considered appropriate to determine the share price fair value based on valuation discussions performed with various investment banks.

The fair value at grant date of the equity-settled share-based payment plans amounts to CHF 21.5, considering a risk-free interest rate of zero and an exercise price of zero.

18.4 Reconciliation of outstanding share options.

All above shares and share options were outstanding as at December 31, 2018, of which 82'442 were exercisable at December 31, 2018.

19 RETIREMENT BENEFIT ASSETS AND OBLIGATIONS

19.1 Legal aspects of the pension plan

Pension plans and their benefits are governed in Switzerland by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are regulated by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

The employer has to arrange for an affiliation contract with a pension fund to comply with legal requirements. The pension fund has to provide at least occupational benefits according to law. Implantica MediSwiss AG has an affiliation contract with the collective foundation of AXA, AXA Stiftung Berufliche Vorsorge.

The insurance plan is contribution-based. The plan contains a cash balance benefit formula. Under Swiss law, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

19.2 Technical accounting aspects of the pension plan (IFRS)

The pension plan qualifies as a defined benefit plan under IAS 19. Once a year, a report is prepared in accordance with IFRS requirements by an independent actuary. In this process, plan assets are valued at fair market values and liabilities are calculated according to the projected unit credit method.

19.3 Amounts recognized in the balance sheet

The amounts recognized in the balance sheet are as follows:

in EUR	31. Dec. 2018	31. Dec. 2017
Defined benefit obligation	2,641,248	2,409,697
Fair value of plan assets	2,493,940	2,270,461
Deficit	147,308	139,236
Net defined benefit liability	**147,308**	**139,236**
thereof recognized as separate liability	*147,308*	*139,236*

19.4 Components of defined benefit cost

in EUR	2018	2017
Current service cost	94,839	94,896
Past service cost	3,323	0
Defined benefit cost included in operating profit	**98,161**	**94,896**
Interest expense on defined benefit obligation	15,048	15,314
Interest (income) on plan assets	-14,008	-14,260
Net interest cost on liability post-employment benefits	**1,040**	**1,054**
Administration cost excl. cost for managing plan assets	1,220	1,249
Defined benefit cost recognized in profit or loss	**100,422**	**97,198**
thereof service cost and administration cost	*99,382*	*96,144*
thereof net interest on the net defined benefit liability (asset)	*1,040*	*1,054*
Actuarial (gain) / loss on obligations		
Actuarial (gain) / loss arising from changes in financial assumptions	0	0
Actuarial (gain) / loss arising from experience adjustments	-60,108	-85,411
Actuarial (gain) / loss on defined benefit obligation	**-60,108**	**-85,411**
Return on plan assets (excluding interest income)	-13,595	14,484
Remeasurement (gain) / loss, incl. in other comprehensive income	**-73,704**	**-70,927**
Translation differences, included in other comprehensive income	-4,526	9,822
Total defined benefit cost recognized in other comprehensive income	**-78,229**	**-61,105**

19.5 Changes in the present value of the defined benefit obligations

Changes in the present value of the defined benefit obligations are as follows:

in EUR	2018	2017
Defined benefit obligation, beginning of the period	**2,409,697**	**2,581,963**
Interest expense on defined benefit obligation	15,048	15,314
Current service cost	94,839	94,896
Past service cost	3,323	0
Contributions by plan participants	23,938	15,500
Benefits (paid) / deposited	59,525	-1,249
Administration cost (excl. cost for managing plan assets)	1,220	1,249
Actuarial (gain) / loss on defined benefit obligation	-60,108	-85,411
Translation differences	93,766	-212,566
Defined benefit obligation, end of the period	**2,641,248**	**2,409,697**

19.6 Changes in the fair value of plan assets and in the defined benefit obligation

Changes in the fair value of plan assets are as follows:

in EUR	2018	2017
Fair value of plan assets, beginning of the period	**2,270,461**	**2,441,500**
Interest income on plan assets	14,008	14,260
Contributions by the employer	23,938	15,500
Contributions by plan participants	23,938	15,500
Benefits (paid) / deposited	59,525	-1,249
Return on plan assets excl. interest income	13,595	-14,484
Translation differences	88,475	-200,567
Fair value of plan assets, end of the period	**2,493,940**	**2,270,461**

19.7 Key actuarial assumptions

Principal actuarial assumptions are at the balance sheet date:

in EUR	31. Dec. 2018	31. Dec. 2017
Discount rate	0.80%	0.60%
Interest rate on retirement savings capital	0.80%	0.60%
Future salary increases	0.50%	0.50%
Mortality tables	BVG2015 GT	BVG2015 GT

19.8 Plan asset classes

Plan assets are composed as follows:

in EUR	2018	2017
Insurance	2,493,940	2,270,461
Total plan assets at fair value	**2,493,940**	**2,270,461**

19.9 Sensitivity

The sensitivity of the defined benefit obligation to changes of significant assumptions are as follows:

in EUR	31. Dec. 2018	31. Dec. 2017
Discount rate decrease by 0.25%	2,662,440	2,526,965
Discount rate increase by 0.25%	2,621,733	2,301,378
Rate of salary decrease by 0.25%	2,639,932	2,401,224
Rate of salary increase by 0.25%	2,642,825	2,418,264
Life expectancy increase by 1 year	2,646,157	2,434,402
Life expectancy decrease by1 year	2,636,464	2,385,848

19.10 Future expected contributions to the defined benefit plans

The expected employer contributions to the defined benefit plan within the next 12 months (next annual reporting period) amounts to EUR 9'823 (2017: EUR 15'910). The weighted average duration of the defined benefit plan obligation as of December 31, 2018 is 19.3 years (2017:18.8 years).

20 COMPANIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

Company	Domicile	Purpose	Share Capital	2018	2017
Implantica MediSwiss AG [1)]	LI	Holding	CHF 90,000,000	n.a	n.a
Implantica Group Holding Ltd.	Malta	Holding	EUR 790'000'000	100%	100%
Implantica CE Reflux Ltd. (ex Implantica CE & Production Ltd.)	Malta	R&D	EUR 1'200	100%	100%
Implantica Marketing Ltd. (ex Implantica Distribution Ltd.)	Malta	Distribution/ Marketing	EUR 1'200	100%	100%
Implantica Patent Ltd. [2)]	Malta	Patent	EUR 1'200	100%	100%
Implantica IP Ltd. [2)]	Malta	Patent	EUR 1'200	0%	100%
Implantica Management AG	CH	Management	CHF 100,000	100%	100%
Implantica Trading AG (ex Implantica Marketing AG)	CH	Distribution/ Marketing	CHF 100,000	100%	100%

[1)] Implantica MediSwiss AG was founded on 22 February 2017.
[2)] Implantica IP Ltd. and Implantica Patent Ltd. merged with effect 1 January 2018, with Implantica Patent Ltd. absorbing Implantica IP Ltd.

21 FINANCIAL RISK MANAGEMENT (IFRS 7)

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring risk, and the Group's management of capital.

21.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is not significantly exposed to credit risk.

21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group avail themselves from a letter of financial support from their ultimate controlling party which provides if required for the day-to-day cash flow requirements of the Group.

The contractual maturities of the Group's financial liabilities fall within two year. The contractual cash flows do not materially deviate from the carrying amounts.

21.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Implantica is not significantly exposed to interest risk and foreign exchange risk.

21.4 Capital management

The directors' policy is to maintain a strong capital base so as to sustain future development of the business. The directors monitor the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the period.

The Group is not subject to externally imposed capital requirements.

21.5 Fair values of financial assets and financial liabilities

The following table shows the classification and carrying amounts of financial instruments held:

in EUR	Carrying amount Financial assets at amortised cost	 Other financial liabilities	Total
December 31, 2017			
Cash and cash equivalents	114,753	0	114,753
Other current receivables	83,553	0	83,553
Total financial assets not measured at fair value	**198,306**	**0**	**198,306**
Accounts payable	0	54,509	54,509
Other short-term liabilities	0	235,242	235,242
Total financial liabilities not measured at fair value	**0**	**289,751**	**289,751**
December 31, 2018			
Cash and cash equivalents	77,725	0	77,725
Accounts receivables	19,208	0	19,208
Total financial assets not measured at fair value	**96,933**	**0**	**96,933**
Accounts payable	0	136,020	136,020
Other short-term liabilities	0	158,525	158,525
Total financial liabilities not measured at fair value	**0**	**294,545**	**294,545**

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

At December 31, 2018, the carrying amounts of cash and cash equivalents, trade accounts receivable, other current receivables, trade accounts payable and other short-term liabilities approximated their fair values due to the short-term maturities of these assets and liabilities.

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

– Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

– Level 2: other techniques for which all inputs with a significant effect on the recorded fair value are observable, either directly or indirectly

– Level 3: techniques which use inputs with a significant effect on the recorded fair value that are not based on observable market data.

22 CONTINGENT LIABILITIES, COMMITMENTS, AND ENCUMBRANCES OF ASSETS

The financial commitments arising from rental agreements amount to EUR 247'074 for 31 December 2018 (2017: EUR 263'931).

in EUR	31. Dec. 2018	31. Dec. 2017
Maturity within 1 year	121,632	97,444
Maturity 2 - 3 years	125,442	166,487
Total	**247,074**	**263,931**

23 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of Implantica has approved the issuance of these consolidated financial statements on 8 March 2019. As of this date, no material events after the reporting date have occurred.

info@implantica.com, www.implantica.com