Interim Report
January – September 2020
Q3

Financial summary

Third quarter
- Net sales amounted to EUR 27k (0)
- Operating loss (EBIT) increased to EUR 4,790k (748k) driven by listing costs
- Loss after tax amounted to EUR 4,730k (815k)
- Basic and diluted loss per Class A share amounted to EUR 0.10 (0.02)
- Liquid funds as at end of the period amounted to EUR 90.5m
- No interest-bearing debt at end of the period

First nine months
- Net sales amounted to EUR 126k (21k)
- Operating loss (EBIT) increased to EUR 7,291k (3,490k) driven by listing costs
- Loss after tax amounted to EUR 7,127k (3,602k)
- Basic and diluted loss per Class A share amounted to EUR 0.16 (0.08)
- Cash flow from operating activities amounted to EUR -1,824k (-3,014k)

Figures within parentheses refer to the preceding year.

Significant events

In the third quarter of 2020
- Completed listing on Nasdaq First North Premier Growth Market raising SEK 1.1 billion, with trading of Implantica's Swedish Depository Receipts commencing on September 21, 2020. The offering was substantially oversubscribed.
- Increased our shareholder base with highly reputable shareholders such as Swedbank Robur Ny Teknik, Handelsbanken Fonder, TIN Fonder, Skandia and Nordea Investment Management.
- Furthered board optimization with highly experienced Tomas Puusepp, former CEO of Elekta AB, formally joining the Implantica board.
- Published successful results of the RefluxStop™ CE mark trial in medical journal, BMC Surgery.
- Enlisted Inselspital Bern, the largest university hospital in Switzerland, to be the lead hospital in our upcoming RefluxStop™ Registry clinical trial to be focused primarily in Germany and Switzerland.

After the end of the period
- Exercised overallotment option raising an additional SEK 165 million.
- Implantica's RefluxStop™ trial showed exceptional three-year follow-up results. None of the 47 patients in the study were in need of regular daily use of PPIs (proton-pump inhibitors), which were taken by all before surgery.
- Implantica completed a pre-submission to the U.S. Food and Drug Administration (FDA) for RefluxStop™.
- In executing its commercialisation strategy, Implantica recruited additional sales representatives in Germany.

CEO Comments

Building the Future of Healthcare

"Our platform technologies and products are designed to bring much-needed relief for millions of suffering individuals, while substantially reducing the economic burden on society"

It is with great pleasure that we provide our first quarterly report since listing on Sweden's Nasdaq First North Premier Growth Market on 21 September.

In the third quarter of 2020, Implantica was successfully listed on the public market, which has been the company's goal for quite a while. I would like to give thanks to the team at Implantica who helped make this happen and to all of our new investors who have put their trust in us. We are very happy for the enormous interest we received during the process and the offering was substantially oversubscribed. A total of SEK 1.27 billion kronor was raised from highly reputable shareholders such as Swedbank Robur Ny Teknik, Handelsbanken Fonder AB, TIN Fonder, Skandia and Nordea Investment Management to name a few.

We are thrilled to have such an overwhelming level of confidence in our team and products as we push forward to putting these products in the hands of surgeons around the world. The listing process also sends a powerful signal to the market, strengthening our brand among patients, surgeons and other investors.

Despite the large effort and time it took to list the shares, we continued to drive the business forward during the third quarter. We have a clear plan for our lead product RefluxStop™ and Implantica is in a strong financial position going forward. A good deal of time has been spent on prioritising and strategy planning.

We are in the process of commercializing RefluxStop™ in Europe, and we have started to increase the number of sales representatives in Germany. We filed a pre-submission to the U.S. Food and Drug Administration in October and expect to receive an initial meeting with the FDA early next year at which time we will have a better understanding of the path forward for regulatory approval in the US.

Implantica

We are pleased to have recently announced the exceptional 3-year results of the RefluxStop™ study. After three years, none of the 47 patients in the study took regular daily PPI (proton pump inhibitors) medication and no serious adverse events were reported since the 1-year data was published. These remarkable long-term results will provide the foundation for the growth of RefluxStop™ going forward. These results will also substantially increase the likelihood that we will create a paradigm shift in acid reflux treatment once the arduous reimbursement process is accomplished.

Our strategy for commercializing RefluxStop™ and promoting the device to become a new global surgical standard for the treatment of acid reflux is based on the following on-going steps:

- Arrange for regulatory approvals for RefluxStop™ in our prioritised markets.
- Publish the results of a cost benefit analysis, which will support upcoming reimbursement processes.
- Increase patient awareness and generate patient pull through the creation of a digital marketing campaign targeted to patients and referring medical doctors.
- Secure large-scale medical evidence by establishing a Registry study in Germany and Switzerland.
- Create comparative data by targeting to set up a 3-arm randomized study.
- Expand surgical training in the RefluxStop™ operating technique through the use of enhanced video and even real-time videos.
- Use a multi-pronged approach with local specialists to achieve reimbursement in targeted markets throughout Europe.

Besides the extensive time and effort spent in the preparation of the listing on Nasdaq First North, additional accomplishments during the third quarter include:

- Tomas Puusepp the former CEO of Elekta formally joined the Implantica board in August. He will guide us with his invaluable experience in medical device sales and reimbursement.
- Our successful results of the RefluxStop™ CE mark trial were published during the third quarter.
- Ongoing set-up of Registry clinical trial mainly focused in Germany and Switzerland involves:
    - Switzerland's largest University Hospital, Inselspital in Bern will be the lead hospital, with surgeon Dr. Borbély in charge.
    - In Switzerland, Hirslanden Bern Prof Zehetner and Hirslanden Zurich Prof Schoeb will join.
    - In Germany, a multitude of German Hospitals are interested to join the Registry and start when Corona is over.
    - On-line patient reporting system has been developed together with Southampton University.
    - Comparative data is achieved by including other surgeries than RefluxStop™ in the Registry as well.
    - Organising surgical training in the RefluxStop™ operating technique by online meetings with key opinion leaders including video presentations and 3-year results – with ability to ask questions.

I wanted to shortly comment on how Covid-19 is impacting Implantica. The virus has reduced elective surgeries and therefore we have focused on building a strong relationship with and expanding our network of surgeons who would like to start to operate with RefluxStop™ when the second wave of corona is over.

Implantica focuses on bringing advanced technology into the body, and we target to play a key role in changing the future of healthcare. With eHealth healthcare will take a leap when advanced technology enters the body, in the same way that advanced technology has changed our daily lives. Our platform technologies and products are designed to bring much-needed relief to suffering individuals, while substantially reducing the economic burden on society.

We have an exciting future ahead of us. Thank you for your interest in Implantica.

Yours sincerely,

Dr. Peter Forsell
CEO Implantica and Founder,
Specialist in General Surgery and Inventor

Implantica in brief

Implantica is a medtech group committed to providing effective care for serious health conditions and improving patient quality of life by bringing advanced technology into the body. Simultaneously, Implantica aims to reduce overall costs and improve efficiency in the healthcare system.

The therapies Implantica develops are based on implants. Implants are medical devices that are inserted into the patient's body and are intended to remain in place permanently or semi-permanently, and may be passive, or unpowered, or active, using electrical power provided by a battery. Implantica has developed a broad, patent protected, product pipeline, two-thirds of which is based on their two platform technologies. Bringing advanced technology into the body requires enough power to activate a device inside the body long-term, which is the reason why a wireless energising platform has been developed. This technology is protected by a portfolio of 25 patents. In addition, the Company has developed an eHealth platform for communicating with and reprogramming implants from distance, which is covered by patents on 14 individual inventions.

Implantica's most progressed product, RefluxStop™, represents a potential paradigm shift in the treatment of GERD. Acid reflux has a significant impact on patient quality of life and can induce serious complications, including increased risk for oesophageal cancer. GERD patients rely today, to a large extent, on PPIs – a drug therapy which calms symptoms of GERD. Ultimately, with PPI treatment reflux is not prevented and the risk for oesophageal cancer remains according to a report from Karolinska Institute. Alternative surgical procedures available today are plagued with complications, including compression of the food passageway and swallowing difficulties.

Top ten shareholders as of 6 November 2020

Name	Holding (% capital)
Implantica MediSwiss	69.8%
Handelsbanken Fonder	6.1%
Swedbank Robur Fonder	6.0%
TIN Fonder	3.6%
Nordea Investment Management	2.4%
Skandia Liv	1.3%
Skandia Fonder	1.1%
BNP Paribas	0.8%
IF	0.8%
Avanza Pension	0.6%

Financial performance in brief

Figures in paratheses within the following section refers to the corresponding period in the preceding year.

Net sales

During the third quarter, sales amounted to EUR 27 thousand (0), corresponding to an increase of EUR 27 thousand. Implantica is currently exclusively marketing its lead product, RefluxStop™. The product is being sold directly to hospitals. The Covid-19 situation has had a negative impact on the business over the quarter. As a consequence of the virus, all types of elective surgeries have fallen dramatically.

For the first nine month of the year, sales amounted to EUR 126 thousand (21), corresponding to an increase of EUR 105 thousand or 500%. The COVID-19 situation has had a limiting factor on the sales activities since the second half of February.

Cost of sales and gross margin

Cost of sales during the third quarter amounted to EUR 307 thousand (306). Cost of sales considers two categories of costs. Firstly, indirect costs of amortisation of capitalised development costs relating to RefluxStop™. Secondly, Other cost of sales, which relates to direct costs for purchasing goods and services from the Group's outsourcing partners.

In the third quarter, adjusted gross margin[1], i.e. gross margin excluding amortization, amounted to 96% (n/a).

The cost of sales over the first nine months amounted to EUR 923 thousand (921). The adjusted gross margin[1], amounted to 98% (95%) an increase of 3 percentage points year-on-year.

Operating expenses and EBIT

In the third quarter operating result (EBIT) amounted to EUR -4,790 thousand (-748), where Research and development costs made up EUR 288 thousand (394), corresponding to a decrease of EUR 106 thousand or 27%. A large part of development costs is being capitalised, and hence not recognised as a Research and development costs in the statement of profit and loss for the period. General and administrative costs increased to EUR 4,222 thousand (516), an increase of EUR 3,706 thousand or 718%. The significant year-on-year increase in General and administrative costs is explained by listing related expenses of EUR 3,479 thousand.

In the first nine-months, the operating result (EBIT) amounted to EUR -7,291 thousand (-3,490), where Research and development cost made up EUR 866 thousand (1,205), corresponding to a decrease of EUR 339 thousand or 28%. General and administrative costs increased to EUR 5,677 thousand (1,964), an increase of EUR 3,713 thousand or 189%. The significant year-on-year increase in General and administrative costs for the period is explained by listing related expenses of EUR 3,785 thousand.

Financial income and expenses

Financial income amounted to EUR 344 thousand (28) during the third quarter. This is mainly driven by positive unrealized exchange rate differences. For the same period, Financial expenses amounted to EUR 237 thousand (142) during the third quarter. This is primarily driven by negative exchange rate differences and interest expenses.

For the first nine-months, Financial income amounted to EUR 417 thousand (170) and Financial expenses totalled EUR 711 thousand (389).

[1] *Adjusted gross proft as a percentage of Net sales. Where Adjusted gross profit is defined as Net sales minus cost of sales, plus amortization of development costs.*

Income taxes

The Group reported a tax expense of EUR 47 thousand (-47) in the third quarter. The tax expense for the quarter is explained by changes in deferred tax. For the first nine months, the Group reported a tax income of EUR 458 thousand (107).

Net earnings

The Group reported a net loss of EUR 4,730 thousand (815) for the third quarter, an increase of EUR 3,915 thousand. The key driver of the net loss increasing over the period is the significant increase of General and administration costs driven by the listing.

For the first nine months of the year, the net loss amounted to EUR 7,127 thousand (3,602). Primarily driven by the high General and administration costs.

Equity and liabilities

As of 30 September 2020, the Group's equity amounted to EUR 102.7 million and the equity ratio was 93% up from 47% on 30 June 2020. The material change is explained by the listing on Nasdaq First North Premier Growth Market in Stockholm September 2020.

As of 30 September 2020, the Group did not have any interest-bearing debt. This after repaying bridge loan arrangements over the third quarter.

Cash flow and liquidity

Cash flow from operating activities over the first nine months amounted to EUR -1,824 thousand (-3,014).

As of 30 September 2020, Implantica held Cash and cash equivalents of EUR 90.5 million. Proceeds stemming from the listing overallotment option (greenshoe) was received after 30 September and will therefore be reflected in the fourth quarter accounts.

Auditors review

This report has not been reviewed by the company´s auditors.

Financial statements

Condensed consolidated statement of profit or loss

in thousands of EUR	Jul to Sept 2020	Jul to Sept 2019	Jan to Sept 2020	Jan to Sept 2019
Net Sales	27	-	126	21
Cost of sales				
Amortisation of capitalized development costs	(306)	(306)	(920)	(920)
Other cost of sales	(1)	-	(3)	(1)
Total cost of sales	**(307)**	**(306)**	**(923)**	**(921)**
Gross loss	**(280)**	**(306)**	**(797)**	**(900)**
Research and development costs	(288)	(394)	(866)	(1,205)
General and administrative costs (Note 10)	(4,222)	(516)	(5,677)	(1,964)
Other income	-	468	49	579
Operating loss	**(4,790)**	**(748)**	**(7,291)**	**(3,490)**
Financial income	344	28	417	170
Financial expenses	(237)	(142)	(711)	(389)
Loss before income taxes	**(4,683)**	**(862)**	**(7,585)**	**(3,709)**
Income taxes	(47)	47	458	107
Loss for the period attributable to owners of the Company	**(4,730)**	**(815)**	**(7,127)**	**(3,602)**
Earnings per share (Note 5)				
Basic and diluted loss per share Class A (in EUR)	(0.10)	(0.02)	(0.16)	(0.08)
Basic and diluted loss per share Class B (in EUR)	(0.02)	(0.00)	(0.03)	(0.02)

Condensed consolidated statement of profit or loss and other comprehensive income

in thousands of EUR	Jul to Sept 2020	Jul to Sept 2019	Jan to Sept 2020	Jan to Sept 2019
Loss for the period	**(4,730)**	**(815)**	**(7,127)**	**(3,602)**
Other comprehensive income				
Remeasurement of net defined benefit liability	30	17	102	28
Related income taxes	(4)	(2)	(12)	(3)
Total items that will not be reclassified to profit or loss	*26*	*15*	***90***	***25***
Translation differences	314	(65)	(343)	(97)
Total items that may be reclassified subsequently to profit or loss	*314*	*(65)*	*(343)*	*(97)*
Other comprehensive income for the period, net of tax	***340***	***(50)***	***(253)***	***(72)***
Total comprehensive income for the period attributable to owners of the Company	**(4,390)**	**(865)**	**(7,380)**	**(3,674)**

Condensed consolidated statement of financial position

ASSETS

in thousands of EUR	30 Sept 2020	31 Dec 2019	01 Jan 2019
Current assets			
Cash and cash equivalents	90,507	34	75
Accounts receivable	20	47	19
Other current receivables	238	1,250	424
Inventories	263	258	152
Total current assets	**91,028**	**1,589**	**670**
Non-current assets			
Property, plant and equipment	98	96	118
Right-of-use assets	38	127	230
Intangible assets (Note 6)	17,372	16,911	16,169
Deferred tax assets	1,383	952	1,033
Total non-current assets	**18,891**	**18,086**	**17,550**
Total assets	**109,919**	**19,675**	**18,220**

LIABILITIES AND EQUITY

in thousands of EUR	30 Sept 2020	31 Dec 2019	01 Jan 2019
Current liabilities			
Trade accounts payable	-	2	136
Financial liabilities (Note 7)	25	2,583	2,301
Other current liabilities (Note 10)	7,076	2,241	2,018
Total current liabilities	**7,101**	**4,826**	**4,455**
Non-current liabilities			
Financial liabilities (Note 7)	22	35	326
Financial liabilities due to ultimate main shareholder (Note 7)	-	2,172	-
Pension liability	128	164	131
Deferred tax liabilities	-	949	-
Total non-current liabilities	**150**	**3,320**	**457**
Total liabilities	**7,251**	**8,146**	**4,912**
Equity			
Share capital (Note 8)	115,499	84,073	84,073
Capital reserves (Note 8)	195,826	128,740	126,109
Translation differences	(309)	34	111
Retained earnings	(208,348)	(201,318)	(196,985)
Total equity	**102,668**	**11,529**	**13,308**
Total liabilities and equity	**109,919**	**19,675**	**18,220**

Condensed consolidated statement of cash flows

in thousands of EUR	Jan to Sept 2020	Jan to Sept 2019
Loss for the period	**(7,127)**	**(3,602)**
Adjustments for		
Depreciation, amortisation and impairment	1,084	1,066
Financial income	(417)	(170)
Financial expenses	711	389
Income taxes	(458)	(107)
Share-based compensation	7	323
Income taxes paid	-	(1)
Other financial result	(11)	(6)
Change in pension liabilities	65	55
Other non-cash items	(49)	(39)
Changes in net working capital		
Decrease / (increase) accounts receivable	(836)	(21)
Decrease / (increase) other current receivables	327	(667)
Decrease / (increase) inventories	(5)	6
(Decrease) / increase trade accounts payables	(2)	(133)
(Decrease) / increase other current liabilities	4,887	(107)
Net cash outflow from operating activities	**(1,824)**	**(3,014)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(29)	(3)
Investment in intangible assets	(1,427)	(1,652)
Net cash outflow from investing activities	**(1,456)**	**(1,655)**
Cash flows from financing activities		
Net proceeds from initial public offering (IPO) (Note 8)	100,568	
Payment of lease liabilities	(86)	(77)
Interest paid	(7)	(7)
Proceeds from financial liabilities	5,710	4,814
Repayment of financial liabilities	(12,434)	-
Net cash inflow from financing activities	**93,751**	**4,730**
Net increase in cash and cash equivalents	**90,471**	**61**
Effect of exchange rate fluctuations on cash held	2	1
Cash and cash equivalents at 1 January	34	75
Cash and cash equivalents at 30 September	**90,507**	**137**

Condensed consolidated statement of changes in equity

in thousands of EUR	Jan to Sept 2020				
	Share capital[1)]	Capital reserves	Translation differences	Retained earnings	Total equity
Balance at 31 December 2019	**84,073**	**128,740**	**34**	**(201,318)**	**11,529**
Loss for the period attributable to owners of the Company	-	-	-	(7,127)	(7,127)
Other comprehensive income (net)	-	-	(343)	90	(253)
Total comprehensive income (net)	**-**	**-**	***(343)***	***(7,037)***	***(7,380)***
Gross proceeds from IPO (Note 8)	31,426	72,009	-	-	103,435
Transaction costs (Note 8)	-	(2,867)	-	-	(2,867)
Equity portion of other non-current financial liability due to shareholder (Note 7)	-	(2,056)	-	-	(2,056)
Share-based compensation	-	-	-	7	7
Total transactions with shareholders	***31,426***	***67,086***	**-**	***7***	***98,519***
Balance at 30 September 2020	**115,499**	**195,826**	**(309)**	**(208,348)**	**102,668**

in thousands of EUR	Jan to Sept 2019				
	Share capital[1)]	Capital reserves	Translation differences	Retained earnings	Total equity
Balance at 1 January 2019	**84,073**	**126,109**	**111**	**(196,985)**	**13,308**
Loss for the period attributable to owners of the Company	-	-	-	(3,602)	(3,602)
Other comprehensive income (net)	-	-	(97)	25	(72)
Total comprehensive income (net)	**-**	**-**	**(97)**	**(3,577)**	**(3,674)**
Equity portion of other non-current financial liabilities due to shareholders (Note 7)	-	2,250	-	-	2,250
Share-based compensation	-	-	-	323	323
Total transactions with shareholders	**-**	**2,250**	**-**	**323**	**2,573**
Balance at 30 September 2019	**84,073**	**128,359**	**14**	**(200,239)**	**12,207**

[1)] Implantica AG was incorporated on 7 February 2020 (Note 3)

Notes

Note 1 General information

Implantica AG (the 'Company') is domiciled in Landstrasse 1, 9490 Vaduz, Liechtenstein. These condensed consolidated interim financial statements ('interim financial statements') as at and for the nine months ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the research and distribution of medical implants. Implantica AG was admitted to trading on the Nasdaq First North Premier Growth Market in Stockholm in September 2020.

These interim financial statements were authorised for issue by the Company's Board of directors on 17 November 2020.

In the past the Group operated through Implantica MediSwiss AG, Liechtenstein but the issuer of shares for the flotation at the Nasdaq First North Premier Growth Market in Stockholm was the newly incorporated Implantica AG domiciled in Liechtenstein. As part of the reorganisation Implantica MediSwiss AG founded Implantica AG on 7 February 2020 by contributing all subsidiaries (refer to Note 3).

Note 2 Impact of the COVID-19 pandemic

The COVID-19 pandemic and the measures put in place by governments worldwide resulted in significant disruption to the economies relevant for the Group. Management performed an assessment of the potential impact on the Group and is continuously monitoring the future development of the pandemic.

Impairment of intangible assets

The Group has performed an impairment test of intangible assets due to the increased uncertainty in connection with the COVID-19 pandemic for the 30 June 2020 interim financial statements and concluded that no impairment is required. Management continues to recognise that COVID-19 is likely to have a negative impact on the pace that the Group can develop its operations in the near term due to non-emergency surgeries being delayed and challenges for sales representatives to engage hospital staff. The impact of COVID-19 on the Group is expected to be temporarily as the underlying fundamental demand for the Group's products are not expected to change. Considering the developments since 30 June 2020 the Group concluded that the last impairment test still appropriately reflects the risks and uncertainties connected with the COVID-19 crisis.

Note 3 Summary of significant accounting policies

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's consolidated interim financial statements as at and for the six months ended 30 June ('last financial statements') as these interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

Consolidated Financial Statements are prepared on the historical cost basis except for all those assets and liabilities measured at fair value. All amounts in the interim financial statements of Implantica AG are shown in EUR, and are rounded to the nearest thousand of EUR with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Critical accounting estimates and judgements

The preparation of these interim 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 – capitalised costs

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use (i.e. when market launch has occurred). It is amortised over the expected useful life. During the development phase, the intangible asset is tested for impairment annually.

There can be no guarantee that such products will complete the development phase or will be commercialised or that market conditions will not change in the future. Hence a revision of management's assessment of future cash flows related to those products may be required. Specifically, management is required to make estimates and judgements in the area of developing and financing the intangible assets not yet in use. As such, the Group faces development risks in terms of finalising 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. These judgements are part of the assessment whether the above-mentioned criteria are met to capitalise development costs.

Deferred tax assets – recognition

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Group reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised 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 utilised. 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.

Financial liabilities - Early repayment of financial debts due to ultimate main shareholder

During the third quarter 2020 the Group repaid the financial debt due to the ultimate main shareholder that was previously measured at amortised cost with an expected repayment date after the financial year 2020. The modification of the original repayment terms resulted in a modification loss before deferred tax of EUR 2,982 thousand, which generally must be recognised in profit or loss. However, management considered this modification as a transaction with a shareholder in its capacity as a shareholder that would not have been granted to an unrelated third party and therefore recognised the modification loss as a capital distribution in equity to best reflect the substance of the transaction. Refer to Note 7 for further details.

Capital re-organisation

The contribution of all subsidiaries during the incorporation of the Company by the Group's parent company (Note 1) is considered to be a capital re-organisation. As a result, the Group reports the subsidiaries carrying amounts of the assets and liabilities and transaction values of income and expenses from the current and prior periods as per the consolidated financial statements of the Group's controlling shareholder, Implantica MediSwiss AG. Any difference between the share capital and capital reserves issued and the aggregate carrying value of the assets and liabilities of the combined entities are included in equity in retained earnings.

The incorporation of the Company is presented from the beginning of the earliest period presented, 1 January 2019, as if the Company and the Group's structure existed before that date. The share capital and capital reserves denominated in CHF are translated to the presentation currency EUR at the date of the incorporation, 7 February 2020. In accordance with the Company's incorporation resolution the difference of CHF 2,480 thousand between the issued share capital plus capital reserves and the book value of the contributed subsidiaries was recognised as a financial liability ('Implantica AG incorporation liability') at 1 January 2019.

Note 4 General accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated interim financial statements as at and for the six months ended 30 June 2020.

Change to companies included in consolidated financial statements

The Group incorporated in September 2020 the new research and development subsidiary Implantica CE UriControl Ltd in Malta.

Note 5 Earnings per share

	Jul to Sept		Jan to Sept	
in thousands of EUR	**2020**	**2019**	**2020**	**2019**
Loss for the period attributable to owners of the Company	(4,730)	(815)	(7,127)	(3,602)
Weighted average % of Class A share capital in total share capital	76%	75%	75%	75%
Weighted average % of Class B share capital in total share capital	24%	25%	25%	25%
Class A shares				
Loss for the period attributable to Class A shareholders	(3,572)	(611)	(5,358)	(2,702)
Weighted average number of outstanding Class A shares	35,051,775	33,750,000	34,183,925	33,750,000
Basic and diluted (loss) per share Class A (in EUR)	**(0.10)**	**(0.02)**	**(0.16)**	**(0.08)**
Class B shares				
Loss for the period attributable to Class B shareholders	(1,158)	(204)	(1,769)	(901)
Weighted average number of Class B shares	56,250,000	56,250,000	56,250,000	56,250,000
Basic and diluted (loss) per share Class B (in EUR)	**(0.02)**	**(0.00)**	**(0.03)**	**(0.02)**

Earnings per category of shares

Earnings per class of shares (Note 8) are calculated on the basis of the net loss attributable to the shareholders of Implantica AG based on their portion of the share capital and the average number of outstanding shares.

Anti-dilutive effect of potential outstanding shares
The impact of share-based payments arrangements was not considered in the diluted earnings per share calculation for Class A shares for the nine months ended 30 September 2020 and 2019 because due to the net loss for these periods their effect would have been anti-dilutive. Class B shares are not affected since based on the employee share option plan shares shall be made available and issued only through Class A shares.

Effect of share split
On 30 March 2020, the general meeting of the Company voted in favour of a share split at the ratio of 2.5 to 1. Accordingly, the weighted average number of shares outstanding in all periods presented are adjusted (multiplied by 2.5) in order to reflect the equity structure of the Company as if the share split had occurred at the beginning of the earliest period presented.

Effect of capital reorganisation
Although, the Company was incorporated on 7 February 2020, the earnings per share is calculated as if the Company was incorporated at the beginning of the earliest period presented consistent with the overall accounting policy for capital reorganisations (refer to Note 3).

Note 6 Intangible assets
During the three months ended 30 September 2020 the Group capitalised EUR 869 thousand development costs (year to date EUR 1,427 thousand) and recognised amortization charges of EUR 322 thousand (year to date EUR 967 thousand).

The Group has performed an impairment test of intangible assets due to the increased uncertainty in connection with the COVID-19 pandemic as outlined in Note 2 for the 30 June 2020 financial statements and concluded that there is no impairment required. There were no further impairment indicators identified.

Note 7 Financial liabilities

	Jan to Sept 2020			
in thousands of EUR	Incorporation liability	Bridge loan	Financial debts	Other financial liabilities
At cost				
Balance at 31 December 2019	**2,286**	**-**	**2,172**	**202**
Additions	-	5,552	-	158
Repayments	(2,331)	(5,536)	(5,698)	(365)
Accrued interest	-	-	-	7
Capital distribution on shareholder loan	-	-	2,982	-
Unwinding effective interest on shareholder loan	-	-	541	-
Translation differences	45	(16)	3	(2)
Balance at 30 September 2020	**-**	**-**	**-**	**-**

in thousands of EUR	Jan to Sept 2019 Incorporation liability	Bridge loan	Financial debts	Other financial liabilities
At cost				
Balance at 1 January 2019	**2,201**	**-**	**-**	**196**
Additions	-	-	4,814	-
Repayments	-	-	-	-
Accrued interest	-	-	-	7
Capital contribution on shareholder loan	-	-	(3,279)	-
Unwinding effective interest on shareholder loan	-	-	172	-
Translation differences	85	-	5	(8)
Balance at 30 September 2019	**2,286**	**-**	**1,712**	**195**

The incorporation liability arose during the incorporation of the company (Note 3) and was netted as part of an agreement between the ultimate main shareholder, the parent company and the Company to net off other receivables and the incorporation liability with a credit to the bridge loan due to the ultimate main shareholder in the first half-year of 2020.

The bridge loan due to the ultimate main shareholder (Dr. Peter Forsell) are funds provided to finance the operations of the Company, are interest free and due for payment upon 30 days after a capital funding event such as a listing or at 31 December 2020. After the listing in September 2020 the bridge loan was completely repaid.

The financial debts comprise an interest free and subordinated loan from the ultimate main shareholder. During the third quarter 2020 the Group agreed with the ultimate main shareholder to modify the terms of the loan and added a clause to the agreement, that the loan is repayable upon a successful listing. As a result, the loan was repaid in full after the listing on 29 September 2020. The difference between the nominal value of the loan, i.e. the cash amount received, and their fair value on initial recognition of EUR 3,279 thousand is reflected as a capital contribution for the nine months ended 30 September 2019 (EUR 3,818 thousand for the financial year 2019). An amount of EUR 2,250 thousand (net of tax EUR 1,029 thousand) was therefore recognised in capital reserves for the nine months ended 30 September 2019 (EUR 2,631 thousand for the financial year 2019). Due to the modification of the agreement the difference between the nominal value of the loan, i.e. the cash amount to be repaid and the book value as at the repayment date of EUR 2,982 thousand is reflected as a capital distribution to the shareholder. An amount of EUR 2,056 thousand (net of tax EUR 926 thousand) was therefore derecognised from capital reserves as at 29 September 2020.

The other financial liabilities comprise liabilities due to a service provider and banks and were fully repaid after the listing in September 2020.

Note 8 Equity

Share capital

The fully paid in share capital of the Group amounts to CHF 123,846 thousand (EUR 115,499 thousand) and is divided into 50,673,076 registered shares with a nominal value of CHF 2.00 each (Class A) and 56,250,000 with a nominal value of CHF 0.40 each (Class B).

During the period the number of shares changed as follows:

	Jan to Sept			
	Class A shares		Class B shares	
in number of shares	**2020**	**2019**	**2020**	**2019**
In issue at 1 January	-	-	-	-
Issued for contribution in kind	13,500,000	-	22,500,000	-
Share split	20,250,000	-	33,750,000	-
Listing excluding overallotment option	16,923,076	-	-	-
In issue at 30 September	**50,673,076**	**-**	**56,250,000**	**-**

Refer to note Note 12 regarding shares issued post balance sheet date related to the September 2020 listing.

Issued for contribution in kind

On 7 February 2020 Implantica MediSwiss AG incorporated Implantica AG by contributing the subsidiaries of the Group. These consolidated interim financial statements are prepared as if the Company was incorporated at the beginning of the earliest period presented (Note 3).

Share split

The general meeting approved on 30 March 2020 a share split at the ratio of 2.5 to 1. As a result, the nominal value of each Class A share decreased from CHF 5.00 to 2.00 and for each Class B share from CHF 1.00 to 0.40.

Capital reserves

Listing

The difference of EUR 69,124 thousand between the gross proceeds of EUR 103,435 thousand less transaction costs of EUR 2,867 thousand attributable to newly issued shares and the nominal amount of EUR 31,426 thousand is recognised in capital reserves. Transaction costs of EUR 3,785 thousand attributable to the listing of existing Class A shares are recognised in profit or loss.

Interest free shareholder loan

During the nine months ended 30 September 2019 the ultimate main shareholder, Dr. Peter Forsell, provided an interest free and subordinated loan to the Company. The difference between the nominal value of the loan, i.e. the cash amount received, and their fair value on initial recognition net of tax is reflected as a capital contribution in capital reserves. Due to a modification of the loan agreement a part of the amount recognised in capital reserves in 2019 was derecognised as a capital distribution during the nine months ended 30 September 2020 (Note 7).

Note 9 Share-based compensation

The Group granted as at 31 July 2020 a total number of 18,425 additional Class A share options with a fair value of CHF 6.30 each to a member of the executive management and other employees of which 1,946 vested immediately and 4,666 vest after a successful listing. The remaining 11,813 share options have a vesting period of 4 months to 4 years. Furthermore, the exercise period of

120,375 existing share options was reduced from 4 to 7 years after vesting date to 5 to 6 years after grant date. As the reduction of the exercise period is unfavourable for the employees and does not affect the vesting period, the share-based payment accounting for the affected share option programs remains unchanged.

Non-market vesting condition

Due to the successful listing in September 2020 a total number of 12,291 share options vested and therefore an additional share-based payment expense of EUR 73 thousand was recognised.

Note 10 Other significant changes

General and administrative costs

The increase of General and administrative costs in the third quarter 2020 relates mainly to listing transaction costs amounting to EUR 3,479 thousand (year to date EUR 3,785 thousand).

Other current liabilities

The other current liabilities increased by EUR 4,835 thousand due to outstanding accounts payables related to listing transaction costs amounting to EUR 6,178 thousand less payments of other accounts payables amounting to EUR 1,343 thousand with funds received from the listing.

Note 11 Related parties

During the three months ended 30 September 2020 the Group agreed with the ultimate main shareholder to enable early repayment of the financial debt after a successful listing. After the successful listing in September 2020 the Group repaid the bridge loan and financial debt due to the ultimate main shareholder (Note 7).

Note 12 Subsequent events

The Group received on 3 November 2020 the proceeds of SEK 165,000 thousand for the exercised September 2020 IPO overallotment option and issued an additional 2,538,461 Class A shares.

Telephone conference
Implantica will hold a teleconference on 18 November 2020 at 10:30 (CET) with Peter Forsell (CEO), Andreas Öhrnberg (CFO) and Nicole Pehrsson (VP Operations & IR). Please see dial-in details below to join the conference:

Webcast:
https://tv.streamfabriken.com/2020-11-18-implantica

Dial-in number
SE: +46850558369
UK: +443333009260
US: +18338230587

Financial calendar

25 February 2021	Year-End report 2020
16 April 2021	Annual General Meeting 2021
12 May 2021	Interim Report Q1 2021

Listing
Implantica is listed on Nasdaq First North Premier Growth Market in Stockholm. The company is traded under the ticker symbol IMP A SDB and ISIN code SE0014855029.

Disclaimer statement
Some statements herein are forward-looking, and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors, for example the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

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