Implantica

BRINGING ADVANCED TECHNOLOGY
INTO THE BODY

ANNUAL REPORT 2020

CONTENT

2020 in short

A SUCCESSFUL IPO AND PROGRESS WITH REFLUXSTOP

Q1

- RefluxStop™ implantations officially started in Germany
- Optimized board composition through appointment of new chairman, Liselott Kilaas, who brings extensive health-care leadership and top management experience to the board
- Successful two-year results reported for RefluxStop™ clinical investigation

Q2

- The company's quality management system confirmed as MDR compliant.
- First RefluxStop™ surgeries performed at Hirslanden Bern by leading anti-reflux specialist surgeon

Q3

- Completed listing on Nasdaq First North Premier Growth Market raising a total of SEK 1.265 billion. Trading of Implantica's Swedish Depository Receipts commenced on September 21, 2020. The offering was substantially over-subscribed and increased the shareholder base with highly reputable shareholders such as Swedbank Robur Ny Teknik, Handelsbanken Fonder, TIN Fonder, Skandia and Nordea Investment Management.
- Successful results from the RefluxStop™ CE-mark trial were published in the medical journal, BMC Surgery.
- Enlisted Inselspital Bern, the largest university hospital in Switzerland, to be the lead hospital in the upcoming RefluxStop™ registry study to be focused primarily in Germany, Switzerland and the UK.
- Furthered board optimization with highly experienced Tomas Puusepp, former CEO of Elekta AB, joining the Implantica board.

Q4

- 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 (protonpump 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.
- Surgical webinars were launched to facilitate surgeon outreach and training during Covid-19.

Events after the end of the period

- Implantica will start selling in the UK with reimbursement and is reinforcing the sales organization in the UK.
- In Germany, Implantica has received our own Operation and Procedure Classification System (OPS) code and a reimbursement Diagnosis Related Group (DRG) for RefluxStop™. This is a milestone in Germany.
- Implantica had two meetings with the FDA. After the initial pre-submission meeting for RefluxStop™, the FDA requested a second follow-up meeting with their surgical expertise. The next step will most likely be a pre-submission supplement leading to a third meeting.
- Applications for regulatory approval of RefluxStop™ are ongoing in 30 countries around the world in parallel.

> None of the 47 patients in the three-year follow up of the RefluxStop™ study needed daily use of PPIs, which were taken by all before surgery.

IMPROVING PATIENT QUALITY OF LIFE WITH IMPLANT TECHNOLOGY

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. By helping patients with their health issues, allowing them to continue with their lives, the company also aims to reduce overall costs and improve efficiency in the healthcare system.

The therapies Implantica develops are based on implants, small medical devices that are inserted into the patient's body and designed to remain in place permanently or semi-permanently. The tiny devices may be passive, or unpowered, or active, using electrical power provided by a battery.

17% About seventeen percent of the European population – over 127 million people in Europe alone – suffer from GERD on a weekly basis.

> Implantica is a medtech group dedicated to bringing innovative advances in technology into the body. Medical implants previously seen as unachievable will seek to alleviate unmet medical needs.

The company's lead product is RefluxStop™, a passive CE-marked implant for the prevention of gastroesophageal reflux disease (GERD) impacting millions of people each year. Today GERD patients largely rely on proton pump inhibitors (PPIs) – a drug therapy which calms symptoms of GERD, but ultimately does not prevent reflux and the risk for esophageal cancer remains. Current surgical treatments for GERD work by compressing the food passageway. RefluxStop™ has a completely different approach, delivering better results without the complications associated with existing surgical GERD treatments.

Implantica aims to reduce overall costs and improve efficiencies in the healthcare system by bringing innovative technology into the body.

Some of the groundbreaking implants developed by Implantica.

The results from a three-year follow-up study following patients with RefluxStop™ showed exceptional results. None of the 47 patients in the study were in need of regular daily use of PPIs, which were taken by all before surgery, and the device has proven itself safe with no serious adverse events related to the device during the entire study period of three years. RefluxStop™ has the potential to spur a paradigm shift in GERD treatments.

> Implantica's eHealth and Wireless Energizing platform technologies are designed to bring Implantica to the forefront of the eHealth transformation.

In addition to RefluxStop™, the company has an extensive product pipeline that is expected to further support Implantica's growth in the coming years. To begin with, Implantica intends to launch UriControl® – the world's first remote-controlled urinary sphincter – and AppetiteControl™ – an entirely new treatment for obesity, controlling appetite. These products are intended to be launched during the coming years, exact timing depending on the Covid-19 situation.

These two products, as well as Implantica's next generation of prioritized pipeline products, are built on two underlying platforms – the e-InVivo™ e-health solution and the wireless energising platform. The platforms enable "smart" implants that monitor and provide therapeutic action as necessary from within the body, exchange information and recharge wirelessly through intact skin.

Implantica's wireless energising platform, developed for the next generation of "Smart Medical Implants", is designed to make previously inconceivable medical implants possible. This disruptive technology will power and recharge remote controlled implants wirelessly through intact skin.

Implantica plans to bring its sensor implant e-InVivo™ to the fast-expanding eHealth market. The implant collects data from inside the body and transfers the data to external devices, such as a watch or directly to the caregiver. e-InVivo™ is designed to monitor a multitude of health parameters and provide diagnostic information as well as control treatment from inside the body.

Implantica has over 1,000 patent cases covering over 300 inventions, whereof 40 implants have been selected after 70 engineers spent three years reviewing the inventions, having performed market analysis, product analysis, production analysis and prototyping.

Two platform technologies

The wireless energizing platform and the e-InVivo™ e-health solution are the two platform technologies that form the basis of Implantica.

Short background

The group was founded in 2015 by Dr. Peter Forsell – principal shareholder and Chief Executive Officer, by contributing at cost the two platform technologies as well as products and patents. Peter Forsell and Stephan Siegenthaler, Chief Sales & Marketing Officer, were co-founders and executive management members of Obtech Medical AG that brought the Swedish Adjustable Gastric Band (SAGB) – an innovative gastric band developed by Forsell to the market. In 2002, Obtech was sold to Johnson & Johnson for CHF 175 million before US FDA approval. Since the sale of Obtech, Forsell invested more than EUR 85 million in Implantica to build the company ahead of its listing in September, 2020.

CEO comments of 2020

A SPECIAL YEAR

> The extraordinary three-year results of our RefluxStop™ clinical trial, which show no single patient taking regular daily PPIs as opposed to all before surgery, provide confidence that RefluxStop has the attributes to become the new standard of care in acid reflux treatment.

2020 was a busy year for us at Implantica, fueled by our successful move to the stock market in September 2020, we have been working hard to push our business forward and that during this global pandemic.

The first quarter since our listing has been focused on establishing the infrastructure and progressing in many different areas as outlined below. Implantica with its special focus on the eHealth market is today in a great position to tackle the future.

The highlight of the fourth quarter was the strong three-year follow-up results from our pivotal RefluxStop™ trial (our CE-marked medical implant for the prevention of gastroesophageal reflux disease (GERD)). None of the patients in the study were taking regular daily PPI drugs (proton-pump inhibitors) at three years, which were taken by all before surgery.

Our three-year results are objectively nothing less than remarkable, and this data is invaluable as we introduce RefluxStop™ to the medical community and advance our commercialization efforts, see graph on page 15.

We are encouraged by the patient data showing RefluxStop™ has the attributes to cause a paradigm shift in acid reflux treatment.

Our listing in September raised important funding for us to move RefluxStop™ to the next level in Europe and to execute on our ambitious strategy for RefluxStop™ and our other implantable devices.

We began to scale our sales organization during the fourth quarter, hiring several new positions to drive RefluxStop™ growth. We have five sales professionals focusing on Germany. Scaling our sales team in an intelligent, focused manner is critical, especially when we eventually put the pandemic behind us.

We have a clearcut plan for selling RefluxStop™, and one key factor is seeking approval with regulators around the world. We have set up a special regulatory team and are currently working on regulatory approval in not less than 30 countries in parallel. We are prioritizing our efforts based on market size and accessibility. Our CE-mark makes the process much easier in many countries providing a faster approval process for already CE-marked products.

One important market is the US where we filed a pre-submission for RefluxStop™ with the U.S. Food and Drug Administration (FDA) in October. We have had one initial meeting and a second follow-up meeting as requested by the FDA with their surgical expertise, which most likely will be followed by a pre-submission supplement leading to a third meeting.

For Europe, where we have market approval, our next important step is reimbursement, which is handled on a local level. Local specialists are needed because it is such a complicated process. We are prioritizing many European countries in parallel to get the healthcare bodies or insurance companies to pay for the device. The process is different in each country ranging from simple to complicated.

The by far most complicated countries to achieve reimbursement in are France and Austria, where an additional randomized clinical trial is needed. On the positive side, the

French Health Ministry (HAS) has a system called "forfeit innovation" which provides funding for such a randomized trial. We are targeting at least ten hospitals to participate in such a French study, conditioned on HAS approval. We have already identified the lead surgeon from an important university hospital in France with several additional hospitals interested to participate. The good thing is that the study incurred costs could be reimbursed by the French government. We could combine this study with additional US hospitals, which should enable us to achieve reimbursement more quickly also in the US and would be key for a substantial business mid-term.

There are several countries that are easier to get going with reimbursed sales. I am happy to announce that we are starting to sell RefluxStop™ with reimbursement in the UK. We are currently reinforcing our sales force in the UK, and we see UK as an important market going forward.

In addition, in Germany we have received our own Operation and Procedure Classification System (OPS) code, which has been assigned a reimbursement Designated Related Group (DRG). This is an important advancement in the German market for RefluxStop™, not only enabling hospitals to receive secured funding for our procedure but most importantly to allow the German Ministry of Health to document the treatment benefits of our novel anti-reflux procedure. Since the clinical trial results of RefuxStop™, including our three-year follow-up, are superior with statistical significance to our competition, documentation of our results may become very important for future sales expansion. The successful results of our RefluxStop™ CE mark trial were published in a press release during the third quarter.

To support the sales efforts in the UK and Germany, we intend to collect standard of care data in a registry for RefluxStop™. The registry study, which includes a web-based data collection system, has been prepared and is ready to be launched once surgeries start taking place again after the Covid-19 break subsides. Many hospitals in Germany are interested to join the study, which will be lead by Inselspital Bern, the largest university hospital in Switzerland.

Furthermore, we are also at the same time targeting other European countries for reimbursement where the process is less arduous. We expect reimbursement to trickle in step by step in different European markets over the course of this year and the following two years.

There are alternative ways to increase our sales efforts. Due to the Covid-19 situation strategic opportunities may arise and Implantica would like to be prepared should such a favorable circumstance present itself.

An important activity during these Covid-19 days has been to organize educational Webinars, hold virtual lectures and do everything we can to expand the knowledge about RefluxStop™ among surgeons, hospitals and payers. We have performed educational Webinars together with our key opinion leaders providing their experience with RefluxStop™ to find more key centers. We've received positive feedback from many different centers, which are looking forward to start with the RefluxStop™ procedure. It's encouraging to see the positive reaction when presenting RefluxStop™ and its superior data, however, nothing can replace direct surgeon to surgeon contact to convince new centers to start.

We are in an exciting phase with our new technology and we foresee Implantica to be in the frontline of the eHealth revolution in the years to come. There are many ways for implantable technology to increase sufferers' quality of life, which combines the opportunity to create an important business and at the same time contribute to something that really matters in people's lives.

I would like to take this opportunity to thank our employees, partners and shareholders for their commitment and dedication to bringing advanced technology into the body.

Yours sincerely,

Dr. Peter Forsell

CEO Implantica and Founder,
Specialist in General Surgery and Inventor

BRINGING ADVANCED TECHNOLOGY INTO THE BODY

Business plan

To develop and provide implantable solutions to improve many conditions by bringing advanced technology into the body to enhance current suboptimal treatment solutions. Implantica's initial focus is to improve treatment for the more than 400 million daily sufferers around the world battling acid reflux disease or GERD with the CE-marked implant RefluxStop™. Implantica is in the process of commercializing RefluxStop™ worldwide, leveraging already established relationships with key opinion leaders and using superior clinical results to drive surgical growth.

The company also intends to launch UriControl® – the world's first remote-controlled urinary sphincter – and AppetiteControl™ – an entirely new treatment for controlling obesity. Appropriate regulatory and reimbursement pathways will be pursued in markets of interest and Implantica will drive patient awareness through appropriate marketing. Over time, penetration will be driven through insurance providers based on cost-benefit analyses and demonstrated efficacy. Future revenue from RefluxStop™ will be used to fund the development of other technologies in Implantica's pipeline, including a multitude of smart medical implants.

Strategic intent

For the medium-term, the Board of Directors of Implantica has defined a strategic aspiration and set five strategic priorities.

Strategic aspiration:

Establish RefluxStop™ as the standard of care for acid reflux treatment globally.

Strategic priorities:

1. Accelerate sales ramp up of RefluxStop™ in focus markets
2. Facilitate regulatory approval and reimbursement on a global basis
3. Complete the development of UriControl® and make it available to patients
4. Complete the development of AppetiteControl™, powered by the platform technologies, and make it available to patients
5. Continue to strengthen organizational capabilities

Implantica's platform e-InVivo™ is designed to monitor, deliver and handle information as well as treat from inside the body. Internally the possibilities of improving healthcare are more or less endless.

Group management is located in Zug, Switzerland and Vaduz, Liechtenstein.

Vision

Implantica's vision is to become the world leader in smart medical implants.

Implantica aims to play an important role in the fast-growing eHealth market to develop new, improved healthcare devices to provide effective care for serious health conditions and to increase the quality of life of patients around the world. Bringing advanced technology into the body will provide remote and cost-saving treatment. This goal is supported by Implantica's innovative wireless energising platform technology for powering and recharging remote controlled devices wirelessly through intact skin supported by an extensive patent portfolio of over 1000 patents covering 300 inventions, as well as the company's eHealth platform e-InVivo.

Mission

Implantica's mission is to provide medical implant solutions to millions of patients with substantial medical needs and at the same time save costs for society. Implantica aims to develop novel medical treatment solutions in order to improve patients' quality of life and to contribute to the reduction of healthcare costs.

Dividend policy

To capitalize on the favourable market characteristics, Implantica will prioritize growth and does not expect to pay dividends in the foreseeable future.

History in brief

IMPLANTICA'S HISTORY IN BRIEF

Dr. Forsell, Implantica's principal shareholder and CEO, founded Implantica in 2015 by contributing the wireless and eHealth platform technologies. It took eight years to develop the platform technologies and scan the entire human body for suitable product applications, ultimately creating a large patent portfolio of over 1,000 patents. For three years, a team of 70 engineers analyzed over 300 individual inventions, conducted market and product research and made prototypes before selecting 40 implant product candidates believed to have the best chance at success.

In his previous business, Dr. Forsell and Stephan Siegenthaler, Implantica's Chief Sales & Marketing Officer, were co-founders of Obtech Medical AG that brought the Swedish Adjustable Gastric Band (SAGB) – an innovative gastric band developed by Dr. Forsell – to market. In 2002, Obtech was sold to Johnson & Johnson for CHF 175 million in an early stage before US FDA approval.

2014

Finalized eight years of development of the energizing and eHealth platforms.

2015

Official founding of Implantica.

Finalized the huge patent work with nearly 2000 patent cases & more than 300 inventions.

40 implants were selected after market- & product-analysis as well as prototyping.

2016

Start of clinical trial for RefluxStop™ in Q4.

Consolidated group structure.

2017

2018

CE-mark (approval to sell in Europe) achieved for RefluxStop™.

Continued development of UriControl®, a remote-controlled urinary sphincter.

2019

Implantica passed the more advanced MDSAP audit for its quality system (allowing quick approval in several countries, for example Canada).

48 Hospitals in Germany applied for pre-reimbursement funding for RefluxStop™.

2020

Successful listing in Stockholm, raising SEK 1.265 billion before costs, increasing shareholder base with reputable shareholders such as Swedbank Robur Ny Teknik, Handelsbanken Fonder, TIN Fonder, Skandia and Nordea Investment Management.

RefluxStop™ trial showed exceptional three-year follow-up results.

Filed pre-submission to the U.S. Food and Drug Administration (FDA) for RefluxStop™

Successful listing in Stockholm, raising SEK 1.265 billion before costs, increasing shareholder base with reputable shareholders such as Swedbank Robur Ny Teknik, Handelsbanken Fonder, TIN Fonder, Skandia and Nordea Investment Management.

OUR PRODUCTS AND MARKET

USD 154 billion

– the forecast size of the implantable medical device market by 2026[1]

Over the past years, Implantica has developed a broad product pipeline that is patent protected. About two-thirds of these products are based on the company's two platform technologies. The first platform is a wireless energizing technology designed to power the active medical implants through the skin. The second platform, the implantable eHealth platform e-InVivo™, allows implanted devices to wirelessly communicate, providing physicians feedback and giving them the ability to reprogram and update the implants. These platforms are at the heart of Implantica's goal of improving service and reducing costs for society.

Implantica develops products for the medical implantable device market. These tiny devices are carefully inserted into the patient's body to replace, support or enhance a biological structure. The implants are intended to remain in the patient's body indefinitely or semi-permanently. Some of the implants are passive, meaning they are not powered, while others can be active, using wireless energy or batteries to function. The company is initially focusing on commercializing three products.

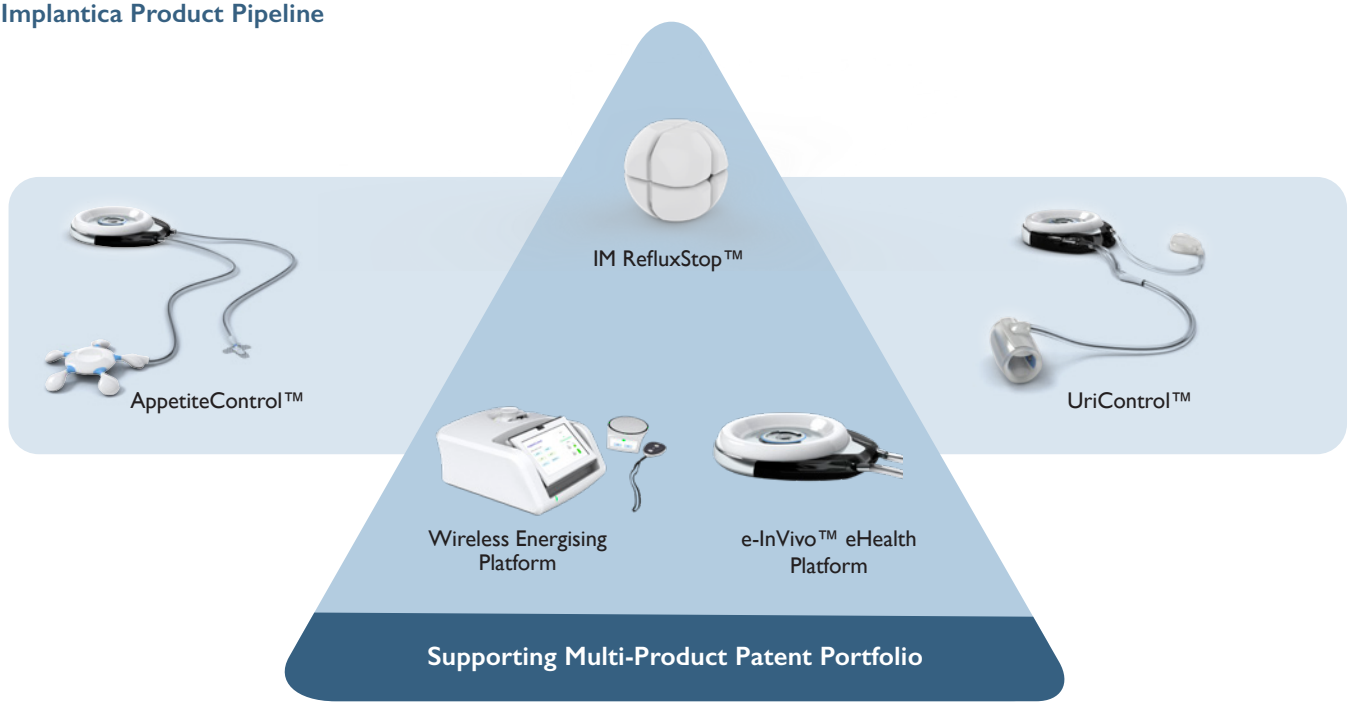
The company's lead product, RefluxStop™, is a CE-marked passive silicone implant for treatment of acid reflux or gastro esophageal reflux disease (GERD). It is currently being commercialized in Europe and is on the path toward US market approval. The device has the potential to create a paradigm shift in the treatment of GERD. It is estimated that 17.1 percent of Europe's population suffer from GERD on a weekly basis[2]. Worldwide it is estimated that six percent of the population – over 400 million people – suffer from GERD on a daily basis[3]. Implantica is also developing two of its pipeline products to prepare them for future commercialization; UriControl®, designed to treat urinary leakage, and AppetiteControl™, a completely new solution to treat obesity by controlling appetite. Both of these devices utilize Implantica's foundational platform technologies and have the potential to revolutionize their respective treatment fields. Implantica's eHealth and Wireless Energizing platform technologies are designed to bring Implantica to the forefront of the eHealth transformation.

The company has an extensive pipeline of products to support its future growth. Beyond its lead product and prioritized products, Implantica is developing several other products that highlight the pipeline's amazing potential, such as UriRestore™, StomaRestore®, PotencyFlow® and RectalRestore®.

Global implantable medical device market

Many patients undergo surgical procedures every year to receive implantable medical devices. The implantable device market is expected to reach USD154 billion by 2026[4]. Implants are used in a wide range of settings, such as orthopaedics, pacemakers, cardiovascular stents, defibrillators, neural prosthetics or as drug delivery systems. The rising occurrence of chronic diseases, such as heart failure, arthritis, motor, sensory or cognitive modality etc., that require various types of implants to prolong the life of the patient or improve patient quality of life, are contributing to the growth of the market. Moreover, an increase in the geriatric population across both developed and developing regions of the world has resulted in a rising prevalence of various chronic diseases, further driving demand for implantable medical devices.

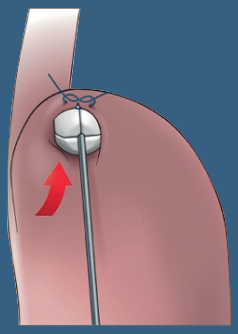
Implantica Product Pipeline



Footnotes – see Bibliography on page 62.

RefluxStop

A POTENTIAL PARADIGM SHIFT IN ACID REFLUX TREATMENT



RefluxStop™ is a specially-designed, passive silicon device that is surgically inserted and fastened to the upper part of the stomach through laparoscopic (key hole) surgery.

400 million

GERD impacts over 400 million people daily.

almost 40 %

of patients with persistent GERD symptoms continue to have measurable 24-hour pH reflux episodes despite daily PPI use.

48,000

Approximately 48,000 deaths occur annually in the EU and US alone due to adenocarcinoma in the lower esophagus.

USD 15-20 billion

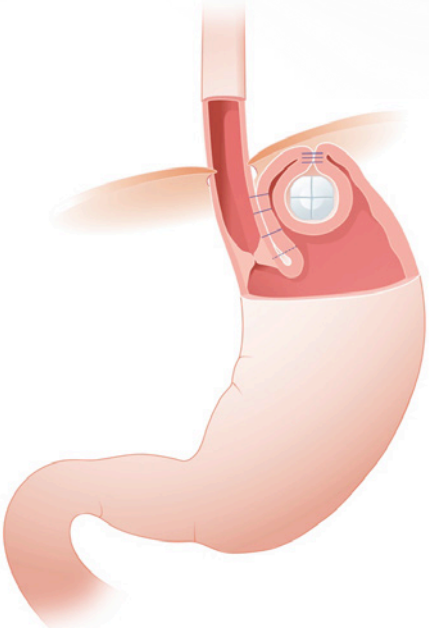
USD 15-20 billion – annual direct and indirect costs of GERD in the US.

Footnotes – see Bibliography on page 62.

RefluxStop™

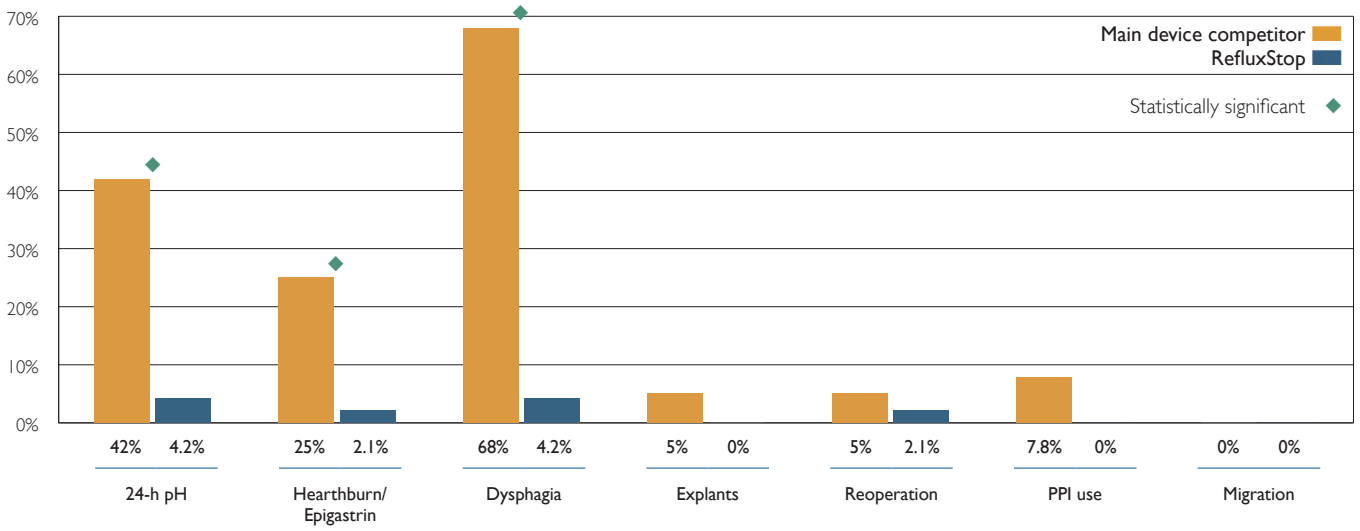
RefluxStop™ is Implantica's lead product and tackles the serious, debilitating problem of acid reflux or gastro esophageal reflux disease (GERD) impacting hundreds of millions of people every day. RefluxStop™ is a specially-designed, passive silicon device that is surgically inserted and fastened to the upper part of the stomach through laparoscopic (key hole) surgery. The device treats acid reflux without affecting the food passageway and restores normal anatomy, a novel method that will possibly create a paradigm shift in acid reflux treatment. The product was granted CE-mark approval in 2018 on the strength of a multi-center clinical investigation in which the safety and effectiveness of the device in patients was demonstrated. RefluxStop™ not only treats the symptoms of acid reflux but, unlike drug therapy, it also eliminates the regurgitation of stomach fluid. The clinical investigation supports that complication rates are reduced with RefluxStop™ compared to current surgical treatments (statistically significant with 95 percent confidence interval).

The size of the RefluxStop™ is 25 millimeters (1 inch).



RefluxStop™ restores and maintains the normal physiological situation and dynamically hinders the LES from moving into the chest thereby preventing acid to flow back into the esophagus.

Comparison – Main device competitor FDA trial and RefluxStop CE mark trial



The RefluxStop™ CE-mark trial

The RefluxStop™ CE-mark trial is a prospective, open-label, multi-centre, single arm treatment trial to evaluate the safety and effectiveness of RefluxStop for the treatment of GERD. Chronic GERD patients were operated using a standardized surgical technique between December 2016 and September 2017. They were followed up after one, two and three years so far and the CE-mark was granted after six months.

The primary safety outcome was prevalence of serious adverse events related to the device, and the primary effetiveness outcome was reduction of GERD symptoms based on the GERD-HRQL score. Secondary outcomes were prevalence of adverse events other than serious adverse events, reduction of total acid exposure time in 24-h pH monitoring and reduction in average daily PPI usage and subject satisfaction.

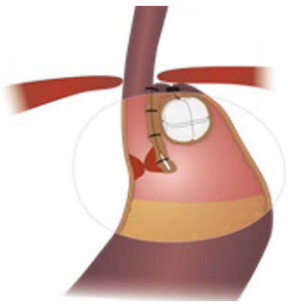
In November 2020, three-year data from the trial were available showing exceptional results. None of the 47 patients were in need of regular daily PPIs, which were taken by all before surgery and there were no serious adverse events reported since the trial's 1-year data was published. These results are truly remarkable and stand in stark contrast to other forms of treatment.

When comparing the RefluxStop™ CE-mark trial results to the main device competitor's FDA clinical trial results on the objective standard of care measurement, pH in the lower esophagus over a 24-hour period, RefluxStop™ presents normal pH values in 96 percent of patients while the main device competitor presents normal pH values in 58 percent of patients.

RefluxStop™

96%

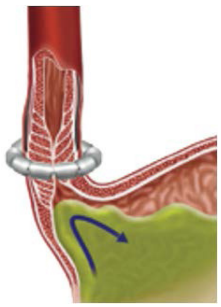
efficacy



Main device competitor

58%

efficacy



RefluxStop™ presents normal pH values in 96 percent of patients while the main device competitor's FDA trial presented normal pH values in 58 percent of patients, indicating that the clinical trial results of RefluxStop are superior to Implantica's competition.

What is GERD?

GERD happens when the stomach acid travels back up through the esophagus, the pathway food flows after swallowing. This acid reflux irritates and damages the tissue in the esophagus and leads to heartburn, trouble swallowing and general chest pain. Unfortunately, acid reflux is also associated with cancer[5] due to acid repeatedly damaging esophageal tissue. The incidence of esophageal cancer, or esophageal adenocarcinoma, has increased tenfold the last 40 years[6] and is growing rapidly in the western world with approximately 48,000 deaths[7] annually in the EU and US alone. The major risk factors are GERD and Barrett's esophagus[8], which is a condition when cells in your esophagus start to resemble cells found in your intestine.

GERD is among the top two most widespread chronic diseases in the world, impacting six percent of the population – over 400 million people – each day[9]. The high prevalence of GERD presents a significant financial burden for the world's healthcare system and employers. The American College of Gastroenterology reported that GERD symptoms cost the US nearly USD 2 billion per week in lost productivity[10]. In the US alone, GERD accounts for direct and indirect costs of approximately USD 15-20 billion[11].

Current treatment of GERD

The most common way to treat GERD is through pharmaceutical treatment. Proton pump inhibitors, or PPI drugs, are proven to be the most efficient non-surgical treatment for GERD, even though they only treat the symptoms and not the cause – reflux with lower acidity is still present. Also, 59 percent of the drug users experience heartburn now and then[12] and almost 40 percent of GERD patients continue to experience 24-hour pH measurable reflux episodes despite daily PPI use. (Becker V et al. 20007). This is probably the reason why the cancer risk with Barrett's esophagus is not reduced by drug therapy[13].

It has been estimated that prescribed medications for GERD, PPI drugs, account for over 50 percent of prescriptions for all digestive diseases, resulting in around USD 10 billion in annual direct healthcare costs, excluding indirect costs such as those resulting from reduced labour productivity[14]. Acid reflux sufferers consumed drugs for USD 24 billion in 2010 before the patent expired, due to the lack of viable long-term alternatives[15].

Surgical treatment of GERD has been around since the 1950s and one relatively new treatment is the Magnetic Sphincter Augmentation, which is a band that compresses the muscles at the end of the esophagus to support the closing. These surgical methods, however, have one major drawback – they all compress the food passageway – thereby causing swallowing problems and the inability to burp and vomit.

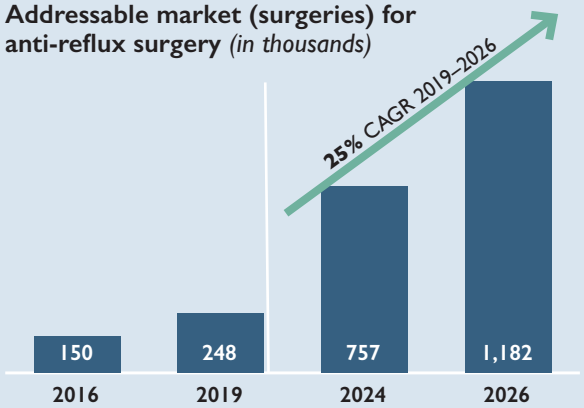
Addressable market

The awareness of complications from PPI use is growing, and these complications are more dangerous than previously anticipated, leading to serious diseases and even death[16]. Most dangerously, the cancer risk with acid reflux remains during drug therapy, and combined with the complication profile, the market for surgical procedures is expected to grow[17].

Due to the many complications associated with currently available procedures, only 248,000 patients opt for anti-reflux surgical procedures each year[18]. Implantica's new device treats acid reflux without affecting the food passageway at all and has the potential to be a paradigm shift in acid reflux treatment. Once a viable treatment is available, Implantica expects the surgical treatment addressable market to grow substantially and expects the addressable market of GERD procedures to expand by about 25 percent annually to reach 1.2 million operations yearly by 2026[19].

In addition, when it is proven that RefluxStop™ prevents the incidence of esophageal cancer – which causes the loss of almost 50,000[20] lost lives annually in the EU and US alone, the number of sufferers is so large that the market has the possibility to reach up to 10 million surgeries each year. Such growth could only be achieved when driven by the insurance companies and governmental health bodies refusing to pay for all the associated costs of cancer treatment and PPI drug complications, not to underestimate the value of all the lost lives associated with esophageal cancer[21,22].

Addressable market (surgeries) for anti-reflux surgery *(in thousands)*



Footnotes – see Bibliography on page 62.

RefluxStop™ and its proprietary deployment tool.

PATIENT TESTIMONIALS

Absolutely symptom-free since being operated with RefluxStop™

"I got rid of a huge problem, that's brilliant"

"I couldn't drink coffee, red wine or cola for years. After vomiting violently, I suffered a herniated diaphragm and that was the reason for the reflux. I had to sleep upright at night, constantly taking stomach proton pump inhibitors four to six tablets a day and that scared me. The stomach acid flowed not only back into the mouth, but also into my lungs. I suffered from shortness of breath and often woke up drenched in sweat at night. When I wanted to tie my shoes, everything came up," says Martin Beer.

RefluxStop prevents the backflow of food and acidic gastric juices into the esophagus. The small silicone implant is used with success by experienced doctors using key hole surgery. After a thorough investigation, Martin Beer was operated by Dr. Yves Borbély at Inselspital, Bern in December 2019.

"I've been absolutely symptom-free since January 2020. I don't need an acid blocker anymore. Before the operation I often had flatulence, but that is gone now, and I sleep much better," said Martin Beer.

Martin Beer shows the mini-implant that freed him from agonizing reflux.

Sandra Brendle shows the small RefluxStop implant that rid her of chronic reflux.

Michael Baum's heartburn is finally gone

Michael Baum was operated twice for reflux without success.
Only thanks to a small implant is he finally rid of his heartburn.

Michael Baum had heartburn for almost 15 years. At first it came slowly, then it got more violent and he needed more and more acid blockers. However, tablets could not stop stomach content from coming up which caused chronic bronchitis from which white dots can still be seen on the lungs.

All in all, a normal life was no longer possible. As Michael Baum kept throwing up while training and at games, he had to give up playing football. His colleagues thought he was an alcoholic as he often had to run to the bathroom to throw up after dining out. As his heartburn robbed him of sleep, his nights used to be torture and he ended up feeling limp.

Michael Baum didn't feel like doing anything anymore and after five years of suffering he underwent Nissen anti-reflux surgery where the uppermost part of the stomach is wrapped around the esophagus. However, the procedure caused difficulty swallowing and the esophagus had to be dilated twice with a balloon catheter and the heartburn returned.

In September 2018, after yet another unsuccessful operation when the sutures didn't hold, Michael Baum was operated by Professor Othmar Schöb at the Hirslanden Clinic in Zurich. Professor Schöb inserted a RefluxStop implant, the first in Switzerland.

"It was the beginning of a new life. I have no swallowing problems and the problem of reflux no longer exists for me," says Michael Baum.

RefluxStop™ changed my life

Sandra Brendle's medical history reads like a pathology dictionary. After 37 years, the cause to her problems and an effective treatment was finally found.

Since birth Sandra Brendle had endured chronic stomachaches and vomiting. She had been diagnosed with child anorexia, chronic respiratory infections with sinusitis, chronic cough, chronic hoarseness and chronic laryngitis. She even lost her voice before a malignant tumorwas found on her vocal folds. The many antibiotic cures severely weakened her immune system and because of the loss of voice she was no longer able to work as a kindergarten teacher. She suffered from depression and had several panic attacks. The turning point came after a gastroscopy when a diaphragmatic hernia was discovered.

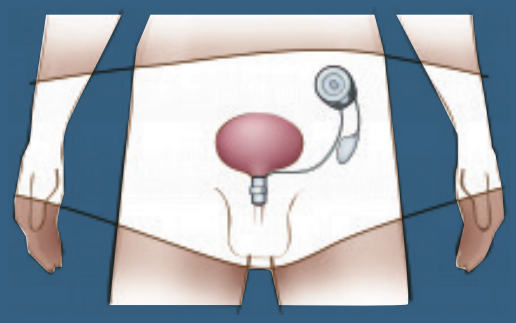
As a result of the diaphragmatic hernia, the gate between the stomach and esophagus had slipped into the chest, which is why it no longer worked properly. Stomach content containing aggressive acids could pass the esophagus all the way to the mouth. Most people who suffer from acid reflux have heartburn. They notice the burning acid in the esophagus, but Sandra Brendle had reflux without heartburn. That's how the cause of all her illness could remain unnoticed for 37 years. By measuring the pH value at the gastroscopy, the massive acidity in the esophagus was discovered.

As anti-reflux medication does not stop stomach content from rising, Sandra Brendle's doctor Dr. Yves Borbély at Inselspital in Bern inserted the RefluxStop implant in December 2019. Since then, Sandra Brendle no longer has to vomit, her chronic respiratory problems are gone, her voice has recovered, and she can finally sleep through the night. Follow-up examinations have shown that the acid level in the esophagus is perfect and for the first time her vocal folds are no longer inflamed.

UriControl®

IMPROVING URINARY CONTROL

UriControl® is estimated to be a ground-breaking device to treat urinary incontinence for both men and women. As it is designed to be recharged wirelessly, it is expected to radically improve quality of life for a very large number of people by providing a solution that restores their dignity and freedom.



UriControl® is a smart active implant with an advanced pressure regulation system which will work directly on the urethra.

10% of all women suffer from urinary leakage where no optimal treatment exists today.

UriControl® is designed to be the world's first smart, remote controlled artificial urinary sphincter with an advanced pressure regulation system which works directly on the urethra. It will significantly improve on existing manual pump concepts to treat urinary incontinence with the use of Implantica's wireless energized technology. Most importantly, it is expected to address the 10 percent of all women suffering from urinary leakage where no optimal treatment exists today[23]. The device is subject to further development and approval process.

The principle of UriControl® is well proven as the hand pumped artificial urinary sphincter device exists on the market today. UriControl® is expected to be both more convenient and hygienic to use as well as offering improved treatment functionality since it is designed to be operated by a remote-control or push button under the skin. UriControl® is a smart active implant with an advanced pressure regulation system which will work directly on the urethra. It is estimated to both reduce complications and improve treatment efficiency.

UriControl® is estimated to be a ground-breaking device to treat urinary incontinence for both men and women. As it is designed to be recharged wirelessly, it is expected to radically improve quality of life for a very large number of people by providing a solution that restores their dignity and freedom.

Urinary incontinence

The U.S. National Institute of Health defines urinary incontinence as the "involuntary loss of urine sufficient in amount and frequency to be a social or hygienic problem". As the definition suggests, the severity of the condition ranges from very mild, occasional dribbling to severe and unpredictable wetting.

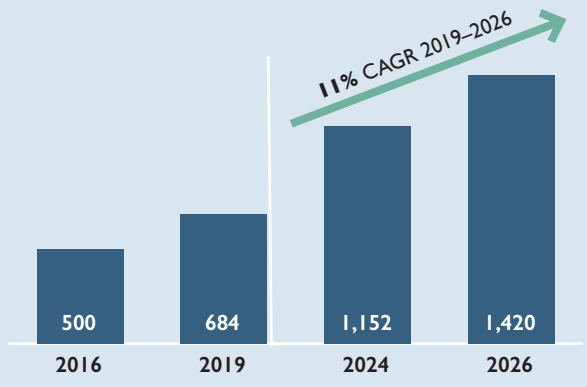
The most common type is called stress urinary incontinence (SUI); a leakage of urine when pressure is put on the bladder and can occur during laughter, coughing or during physical activities. It is caused by a weakened sphincter or pelvic floor muscles. For women, possible causes of SUI include changes in oestrogen levels and nerve function due to aging, pregnancy or menopause. For men, the most common cause is complications related to prostate surgery. The second most common type of incontinence is urge incontinence, characterised by a sudden and strong urge to urinate that is hard to suppress and is often intense enough to cause urine leakage.

Addressable market

The total cost of urinary incontinence in the US was expected to reach USD 83 billion in 2020[24]. More patients are turning to surgeries in an attempt to relieve their suffering. While 500,000 surgeries for urinary incontinence were done in 2016 worldwide, that level is expected to grow by about 11 percent each year, reaching 1.4 million operations by 2026[25].

UriControl® is expected to significantly improve existing treatment and radically improve quality of life for a very large number of people by providing a solution that restores their dignity and freedom.

Addressable market (surgeries) for urinary incontinence, male and female *(in thousands)*



Footnotes – see Bibliography on page 62.

AppetiteControl™

TREATING OBESITY

17%

Average growth of addressable market for AppetiteControl™ until 2026.

AppetiteControl™ is a device designed to treat obesity using a completely new treatment approach – by controlling appetite. AppetiteControl™ is designed to achieve a possible paradigm shift in obesity surgery. While maintaining complete weight control, AppetiteControl™ patients are expected to be able to enjoy food intake with full appetite and no dietary restrictions. The product is subject to further development and approval process.

AppetiteControl™ is an implant designed for inducing satiety, imitating the body's own natural functions by stretching the upper part of the stomach in the same way as when the stomach becomes full of food. When one eats and the stomach becomes full, the stomach wall starts to distend or stretch and in the upper part of the stomach, stretch receptors send a signal to the brain. The brain signals that the stomach is full and that eating should stop. With the device, when food is swallowed and it moves down to the stomach it triggers an implanted sensor, which keeps track of the eating. Since the device is a smart medical implant, it is designed to keep track of the patient's eating and when enough pre-programmed food has been swallowed, it will send an electric signal to a control unit that starts the stimulation of a small starfish-shaped or octopus shaped device attached to the upper stomach.

This automated stretching movement triggers nerve signals to the brain telling the person they have had enough food. Patients should be able to eat normally to feel full after an average portion of food. Hindering overeating will result in permanent weight loss, while still allowing patients to enjoy food intake with full appetite and no restrictions on what to eat.

Since the device is smart it will keep track of the patient's eating behavior and send this information, the weight of the patients and important implant parameters to the caregiver. The device is possible to reprogram to achieve the weight agreed between the doctor and subject.

Obesity

Being overweight or obese often affects quality of life due to both physical restrictions and the lack of social acceptance. However, these conditions can also lead to many serious health consequences. The fundamental cause of obesity, or being severely overweight, is simply eating more calories than you burn. While genetics contribute to obesity, one important cause today is lifestyle and dietary choices. Foods rich in unhealthy substances have become readily available and are generously consumed, while people's lifestyles are becoming increasingly sedentary. Being overweight or obese often affects quality of life due to both physical restrictions and the lack of social acceptance. However, these conditions can also lead to many serious health consequences such as cardiovascular diseases, diabetes, respiratory issues – the list of possible ailments goes on and on.

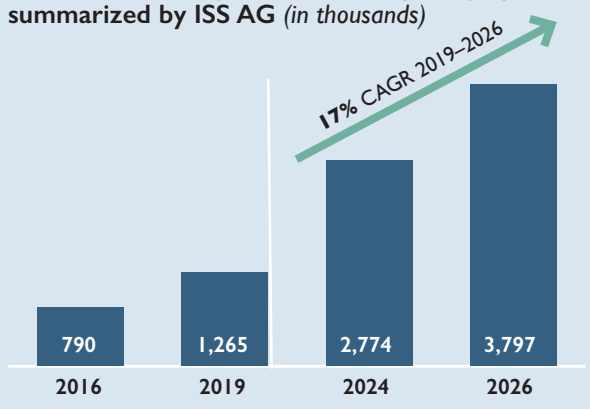
According to the World Health Organization, 1.9 billion adults around the world were classified as overweight in 2016, 650 million of those were obese. Obesity is a growing health problem globally. Adult obesity rates in OECD countries in 2015 was on average 19.5 percent with the US topping the scales with about 38 percent of adults being obese and expected to climb to 42 percent by 2030[26].

Addressable market

Ultimately, the economic burden of society is reduced if obesity can be controlled – a factor driving the average 17-percent growth of the obesity surgery market over the past 17 years[27]. The vertical sleeve gastrectomy, currently one of the most common obesity surgeries, gained market share of approximately 40 percent within five years of its introduction.

AppetiteControl™ is designed to be less invasive than gastric sleeve and gastric bypass and even avoids opening the food passageway and making any permanent anatomical changes; assuming clinical validation and successful market introduction it holds the promise of bringing about a paradigm shift in obesity surgery.

Addressable market AppetiteControl™ Research including journal Obesity Surgery summarized by ISS AG *(in thousands)*



Footnotes – see Bibliography on page 62.

Being overweight or obese often affects quality of life due to both physical restrictions and the lack of social acceptance. However, these conditions can also lead to many serious health consequences such as cardiovascular diseases, diabetes, respiratory issues.

Interview

EXPERIENCES WITH REFLUXSTOP™

Interview with Dr. Yves Borbély's

Reflections from a specialist in anti-reflux surgery

Dr. Yves Borbély is a surgeon at Inselspital, the university hospital in Bern, Switzerland. He is a visceral surgery specialist who has helped numerous patients suffering from gastro-esophageal reflux disease (GERD). Implantica's RefluxStop™ is his latest tool to help patients deal with the disease.

How did you learn about RefluxStop™?

I came across RefluxStop at an upper gastrointestinal meeting I was at a few years ago. I was fascinated by the product at first sight and was eager to try it out. Quite soon after that, about two and a half years ago, we learned how and did an operation. It went really well – and still is – and it was a tough patient, too. I saw him a month or so ago and he was really going strong and was happy.

How many RefluxStop™ devices have you implanted so far?

Upper gastrointestinal surgeons are typically pretty open to new techniques and my interest in alternatives to traditional anti-reflux procedures goes a long way back. After the first patient, we gradually increased the number of patients we operated on. And so far, we have done about 25 procedures. Covid-19 has created a problem for us. We have so many patients to operate on, but we can't at the moment. There is just a stop in most benign surgeries. I'm hoping to get back up to speed once the pandemic is over.

Was it difficult to learn how to implant RefluxStop™?

The procedure needs to be precisely performed, but in the end, it is not far away from traditional methods. Once you get the concept of how to prepare the stomach for the implant, I would say it is an easy operation.

What is the market's need for RefluxStop™?

The market, the need, is huge. There are some obstacles in the way, such as patients being able to reach experts because many gastroenterologists are not fond of addressing GERD with operations. There are three main groups of patients who could benefit from RefluxStop. First you have patients who have taken PPI drugs for a long time and suffer from difficult symptoms if they stop taking the PPIs. Then you have those who aren't suitable for traditional fundoplication. Finally, you have patients who had procedures before but need revisional procedures. These are three prototype patients that would really be served with Reflux-Stop™ and obviously we are nowhere near the numbers we could implant.

If you have something with a good efficacy, with less or no side effects or long-term consequences, these patients would be market No. 1. It is basically a one-time procedure and the problem is solved and you don't need PPIs anymore.

What is your message to other surgeons considering RefluxStop™?

This is a tool with really low side effects and that is so far really working, at least over the past few years since I've been using RefluxStop. What has been promised, a clean solution with few side effects for patients with typical GERD symptoms, is really here.

Wireless energising platform

ADVANCED TECHNOLOGY INTO THE BODY REQUIRES POWER

This Wireless Energising Platform will enable development of a broad range of eHealth smart medical implants previously seen as unachievable or impracticable.

Bringing advanced technology into the body requires enough power to keep a device running inside the body long-term. To avoid complicated and expensive surgeries, Implantica has developed a wireless energising platform to make powering a multitude of smart medical implants as easy as possible.

Implants that require little energy, such as cardiac pacemakers, are so far the only active implants to achieve wide use. Historically, active implants that perform complex tasks, operate small motors and pumps and manage data input from various sensors require more current and haven't had the same success since batteries would need to be frequently replaced.

To overcome this hurdle Implantica has developed its Wireless Energising Platform. This platform is a proprietary energy transmission and control system designed to safely power implants directly or recharge them wirelessly through intact skin, eliminating the need to extract the device to replace or recharge its batteries even if the device requires large amounts of electrical current to operate. The technology also allows for the wireless control and exchange of data, enabling postoperative adjustments and continuous data feeds and greater quality and reliability of data reporting directly to both the patient and caregiver.

USD 10.3 billion

The global pacemaker market alone is expected to reach USD 10.3 billion by 2025[28]

Footnotes – see Bibliography on page 62.

e-inVivo

THE DIGITISATION OF HEALTHCARE

The e-InVivo™ eHealth platform is a small, intelligent implanted device designed to allow early detection, easy monitoring and better treatment for many life-threatening and life-deteriorative conditions. The e-InVivo™ platform is designed to be used as a stand-alone implant or integrated with a multitude of Implantica's other development devices and remain in use in the body for an extended period. In combination with Implantica's wireless energising technology, the e-InVivo™ platform can be charged, controlled and adjusted wirelessly through intact skin reducing or eliminating the need for additional invasive procedures.

The e-InVivo™ platform is designed to collect and process information inside the body, transfer data wirelessly to healthcare providers or to the patient through an external device, such as a smart watch or smart phone. To further leverage the value of the platform, Implantica may potentially build eHealth databases of information collected from inside the body. The data would be collected solely on the basis of informed patient consent and in full compliance with applicable data protection regulation. These databases can be an important tool in the development of eHealth-oriented healthcare, helping medical researchers and health-care providers identify treatment weaknesses and potential cost reductions.

> e-InVivo™ is aimed at improving health and reducing costs by improving preventive and proactive healthcare

The e-InVivo™ eHealth Platform is designed to integrate with the majority of the company's other development devices, measuring an array of health parameters, or can be used as a stand-alone implant.

eHealth is about using digital tools and sharing information digitally to achieve and maintain health. Among other things, healthcare should be implemented closer to the patient: the treatment will come to the patient instead of as today, the patient traveling to the hospital and spending time in waiting rooms. Healthcare should be proactive, and not reactive as it is today. Although we all know that early detection is key, the healthcare sector has been incapable of providing a suitable proactive approach. Here Implantica has an important role to play.

Follow-on products

WITH FOCUS ON TREATMENT AREAS GASTROINTESTINAL AND UROLOGY

50%

PotencyFlow® targets the 50 percent of men with erectile dysfunction not helped by PDE5 inhibitors (e.g. Viagra)

Following the market launch of RefluxStop™ and the prioritized products UriControl® and AppetiteControl™, Implantica will continue to focus on the treatment areas of gastrointestinal surgery and urology to leverage our existing development and surgical contact network. The selected pipeline products are expected to reach the market 2022 at the earliest. The markets for these pipeline products are considered substantial.

Urology

UriRestore™ is a remote-controlled device enabling those who cannot urinate, such as spinal cord injury (SCI) and multiple sclerosis (MS) patients, to urinate on demand using Implantica's wireless platform. UriRestore™ avoids the frequent use of catheters, which must be manually inserted into the urethra every time to limit the infection risk. Controlled via remote, the patient initiates urination by pressing a button which mechanically compresses the bladder to empty it. Moreover, 1.7 percent of the US population suffers from paralysis, of which 27.3 percent is caused by SCI[29].

PotencyFlow® is based on the UriControl® urinary sphincter using adapted new software to potentially treat erectile dysfunction where drugs don't work or cannot be used due to complications. An erection is caused by pressurised blood and the balance between inflow and outflow of blood defines the result. In the past surgeons permanently closed the main blood vessel leaving the penile tissue with good results. Patients could get an erection again, however, the effect faded out after a year or two because smaller blood vessels grew in size. If these blood vessels are closed temporarily with PotencyFlow® when needing an erection, no build up of larger blood vessels will occur and we have a treatment well proven in the literature. Only about half of the 300 million men expected to suffer from erectile dysfunction in 2023 will be treated with PDE5 inhibitors, which include Viagra. The average annual growth for the PotencyFlow® market through 2023 is expected to be 9.4 percent[30]. Other treatments today can involve self-injections of drugs into the penis, or implanted inflatable or bendable intracorporal cylinders, which permanently destroy natural erectile functionality.

Gastrointestinal

StomaRestore® is designed to free patients who need an ostomy operation or existing ostomates from using stoma bags, which will greatly improve their quality of life. Many patients need to remove part of their intestine due to illness and therefore receive a stoma, which is when the end of the intestine protrudes through the abdominal wall. These patients use a plastic bag to collect their fecal matter outside the abdominal wall. The current global addressable market for StomaRestore® is estimated to be EUR 4 billion[31] StomaRestore® is expected to offer a completely new solution to those patients and is expected to permanently free patients from using stoma bags.

RectalRestore®, which is subject to further development and approval processes, is our innovative solution to the debilitating impairment of anal incontinence. The wirelessly controlled and rechargeable implant is designed to manage defecation for patients suffering from fecal incontinence, an often embarrassing and isolating condition. As an active sphincter implant, RectalRestore® will be based on similar functionality and technology as UriControl®.

USD 2.5 billion

The market for plastic bags for stoma patients alone is estimated at USD 2.5 billion

Footnotes – see Bibliography on page 62.

PATENTS – THE HEART OF IMPLANTICA

> Together with our new product offerings, our extensive patent portfolio constitutes the heart of our business.

Implantica's marketed product RefluxStop™, its development devices, designs and potential future projects are all underpinned by an intellectual property portfolio comprising more than 300 inventions covered by more than 1,000 patent cases. The patents, all of which are Implantica-owned, have been filed in the largest global markets such as Europe, US, Canada, Australia, Mexico, Brazil, China and Japan.

Implantica's current development devices have varying patent lifetimes lasting on average until approximately 2030. This comprehensive protection of intellectual property, which protects not only the design of the device as such, but also its methods of action as well as the technologies used by multiple sub-components and tools associated with the device, is a key element of the company's business strategy.

A robust and multi-layered approach to patent protection is well-designed to preserve the value of the company's medical technology and to provide a broad and stable platform for the design, development and commercialisation of further innovative implants. Implantica has strategically and systematically developed its portfolio of intellectual property to create broad protection for potential applications using its Wireless Energising Platform and eHealth technologies.

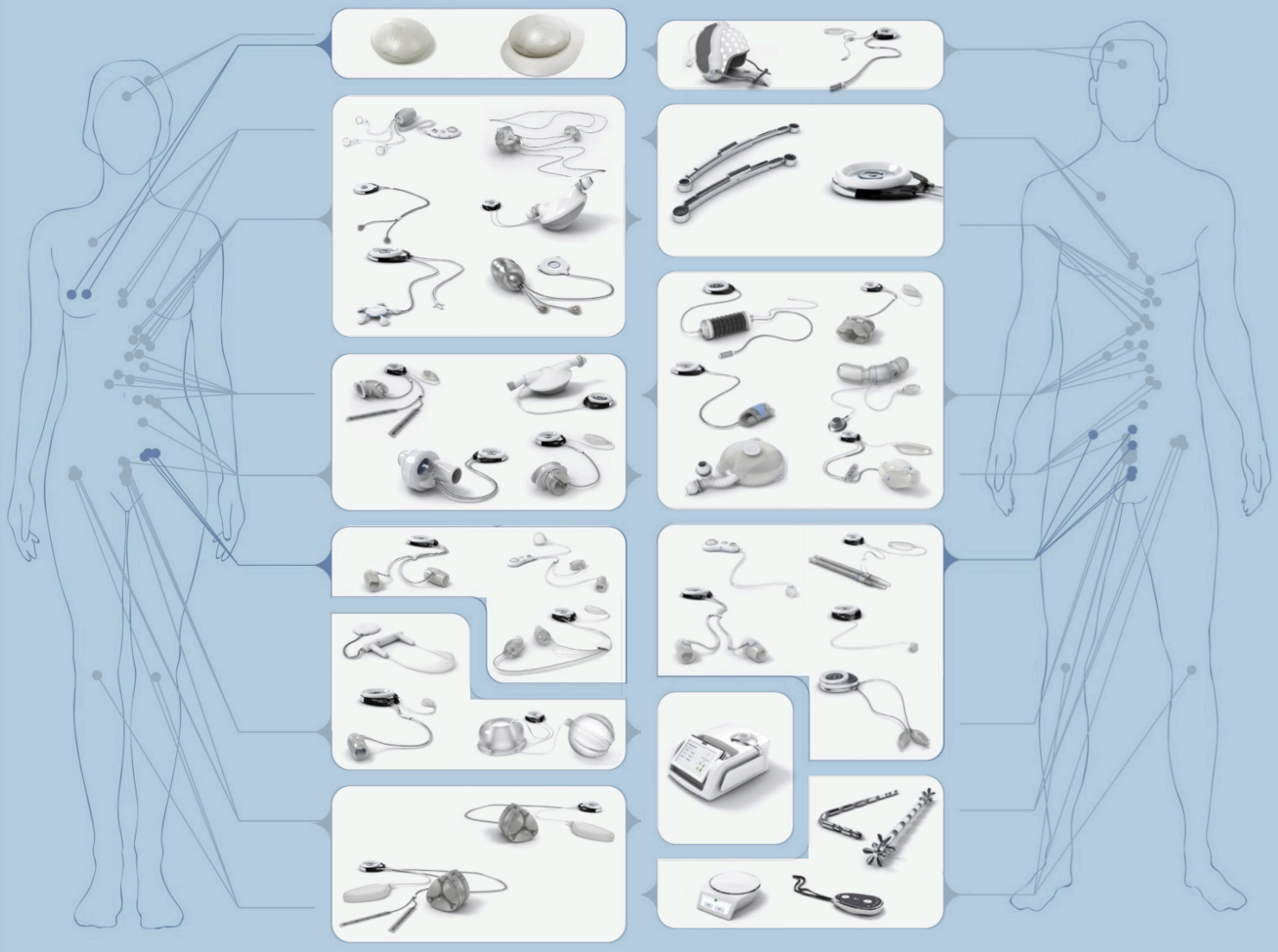
The portfolio is expected to provide patent protection for RefluxStop™ through 2029 with improvements until 2038; for next generation UriControl® through 2028; for primary patents covering AppetiteControl™ through 2029; and for UriRestore™ through at least 2028. These products including the platform technologies are covered by more than 400 patent cases. The company has invested significant resources in investigating the human body for potential applications, to perform a thorough market analysis and to prepare the prototyping of about 40 relevant development device candidates.

The patent portfolio

Product	Europe(National)	Us Patents	Row	Expires
REFLUXSTOP™	30	8	12	2029 - 2038
URICONTROL®	18 + 34*	6 + 32*	3 + 34*	2021 - 2034
APPETITECONTROL™	32 + 34*	8 + 32*	7 + 34*	2029 - 2034
URIRESTORE®	10 + 34*	2 + 32*	5 + 34*	2028 - 2034

*Energy and control

Overview of Implantica's patent portfolio



Implantica has over 1,000 patent cases covering over 300 inventions, whereof 40 implants have been selected.

Interview

TO CREATE A MEDICAL TECHNOLOGY COMPANY

Interview with Stephan Siegenthaler

Building relationships is key to success for RefluxStop™

Stephan Siegenthaler, Chief Sales & Marketing Officer at Implantica, knows what it takes to build a medical technology company from scratch. He was a co-founder of Obtech Medical AG together with Implantica's founder and CEO Dr. Peter Forsell, a company which created and sold the Swedish Gastric Band (SAGB).

Siegenthaler was critical to the growth and success of the sales organisation of Obtech, which was sold to Johnson & Johnson for CHF 175 million in 2002. His experience in developing a network among doctors and commercialising the SAGB is important experience to today how he tackles the responsibility of gaining sales traction with RefluxStop™.

"Just like with the gastric band years ago, with RefluxStop we had to initially fight for acceptance from the surgical community," says Siegenthaler. "We are addressing the specialists in anti-reflux surgery, the key opinion leaders in this field, to convince them to try the device. Now that we have been going for a few years and have study results showing RefluxStop is safe and effective, there is increasing interest and acceptance from surgeons."

The travel restrictions imposed over the past year due to the Covid-19 virus have largely restricted all companies from attending conferences and meeting potential partners. Once it is safe to travel again, meeting doctors, educating and raising the profile of RefluxStop™ will remain at the top of the agenda.

"We were attracting strong interest from key opinion leaders before the virus hit, we had hospitals lined up and it looked a lot like it did with the growth we saw with the gastric band," he adds. "We still have a robust network, and we keep communications open with our key opinion leaders including hosting online trainings and informational webinars. We are definitely keeping busy."

To convince more surgeons to use RefluxStop™, it is always helpful to have more patient data validating the device's safety and effectiveness. Implantica is in the process of setting up a European registry study to track such future results.

"We want to provide surgeons with as much data as possible, to make it easy for them to choose RefluxStop," Siegenthaler said. "The more operations that are done, the more surgeons will be ready to approach us. Building strong relationships with these surgeons is crucial."

RefluxStop™ has a CE-mark for sales in Europe, making markets such as Germany, Switzerland, Austria, Italy, the Benelux region and the UK important areas to generate early sales. Other countries such as Australia and Mexico that also use the CE-mark could also be considered before long.

"The feedback we are getting from surgeons is increasingly positive and as this success spreads, we expect interest in RefluxStop to only increase. It's very exciting to be in this type of situation again."

ADVISORY BOARD

The senior advisory board serves as an advisory function to Implantica in various areas where certain expertise is required. The advisory board consists of Jörg von Manger-Koenig, Richard Fritschi and Felix W. Zulauf.

Richard Fritschi

Member of advisory board

Background: Former CEO of SIX Swiss Exchange listed Ypsomed 2006- 2011; President of Zimmer Europe/Australia 2003-2005; Different executive management positions at Zimmer, SulzerMedical and Centerpulse between 1991-2005; Leadership and operating experiences for 2,000 employees and USD 1 billion sales.

Felix W. Zulauf

Member of advisory board

Background: Former Global Strategist at UBS Group; Former Head of Institutional Portfolio Mgmt and Fund Manager at UBS Group; Regular member of Barron's Roundtable; Founder and owner of Zulauf Asset Management with USD 1.7 billion in assets under management.

Jörg von Manger-Koenig

Company secretary and member of advisory board

Background: Former VP Quality and Regulatory at Nobel Biocare; Experience as Nobel Biocare's Lawyer during their Swedish listing; Different executive management and board positions at Nobel Biocare 2007-2015; German qualified attorney with studies in Bonn and Geneva; 20 years of global management in the pharmaceutical/life sciences/medical device sector.

> Implantica's products have great potential to save and improve lives, reduce hospital costs and provide remote care. This gives sustainability an even wider meaning.

Sustainability

SUSTAINABILITY IS AN INTEGRAL PART OF OUR BUSINESS

Implantica's key area of sustainability lies in our mission; to provide medical implant solutions to millions of patients with substantial medical needs. Developing new, improved healthcare devices to provide effective care for serious health conditions and to increase the quality of life of patients around the world means working for a sustainable world.

Bringing advanced technology into the body will improve preventive care and provide remote and cost-saving treatment helping patients who might otherwise not receive treatment. This gives sustainability an even wider meaning and is central to our core operations. Enabling access to safe and effective treatments is our key contribution to sustainable development.

Implantica seeks to be a credible, reliable supplier and partner to its customers and business partners, an attractive employer and a successful long-term investment for its shareholders. We deliver on our promise of contributing to a sustainable development through three key initiatives in which we have both a responsibility and the ability to make a difference:

- Ensuring patient access to effective treatment by supporting the medical community, working actively with pricing, reimbursement, regulatory approvals and market expansion.
- Providing treatments that are safe for both patients and the environment. This is achieved by following high medical standards, promoting responsible sourcing and taking environmental responsibility. The safety profile and monitoring of our products is a significant sustainability area for us. By following the highest medical standards, we strive to provide products and treatments that meet the high quality and regulatory expectations of the medical community.
- Acting responsibly and ethically in all we do through high research standards, business ethics and policies aimed at creating a sustainable organization purposed to serve the community.

In 2020, Implantica set a goal that the company will develop a sustainability policy and company-wide sustainability goals in addition to the commercial goals in 2021. Implantica's sustainable mission is supplemented with measures for the company's environmental and social responsibility.

Environment

Implantica is adamant about preserving and protecting the environment in all parts of its business. The company seeks to minimize its direct and indirect negative environmental impact and to continuously lessen its environmental impact by maintaining sound work procedures and using environmentally friendly technology. The company's environmental responsibility can be described in the following areas:

The production and the products

- Work with safe, resource efficient and environmentally friendly production and development
- Use natural resources efficiently and use green electricity when possible
- Lower energy consumption and emission of greenhouse gases in every part of the organization, both during development and manufacturing of components
- Observe environmental criteria when choosing suppliers
- Strive for all components in Implantica's products and packaging to be recyclable where possible

Travel and transports

- Observe environmental criteria when choosing suppliers
- Strive to communicate digitally and to always evaluate different opportunities to travel in an environmentally friendly way
- Use electric transport when possible

UN Sustainable Development Goals and Global Compact

Implantica wants to deepen, structure and also engage the entire company – and thus have a greater effect – around Implantica's sustainability work. As part of that, Implantica is looking into linking its work to some of the Sustainable Development Goals of the UN at a local, company level.

Implantica is conducting business in a manner that is consistent with the principles of the UN Global Compact. Implantica is evaluating signing the UN Global Compact and is looking into reporting on its sustainability efforts within the framework of the Global Reporting Initiative (GRI).

BOARD OF DIRECTORS

Liselott Kilaas *Chair of the board*

Born: 1959

Liselott Kilaas has extensive experience leading med-tech and healthcare companies.
She is independent in relation to the company and its larger shareholders.

Education: Master of Business Administration from IMD Business School in Lausanne, Switzerland; Master's Degree, Mathematics and Statistics from the University of Oslo, Norway.

Background: Liselott Kilaas has around twenty years of international management experience and a background in strategic and operational performance development across a broad spectrum of businesses. She has further extensive non-executive board and audit committee experience from the Central Bank of Norway and sectors such as Telecommunication, Media and Shipping and was awarded Norwegian 2019 Women's Board Award.

Current positions: Chair of the board of directors in Avonova AB, chair of the board of directors of Coala Life AB, board member in Ambea AB and chairperson of quality and sustainability committee, board member in Orkla ASA and chairperson of compensation committee. Board member and member of the audit committee in Peab AB, Folketrygdfondet, Nobina AB and Norsk Hydro.

Holdings in Implantica (including related parties): Liselott Kilaas holds no SDRs or warrants in the company, however, she has a 5-year share program of 28,135 SDRs.

Johan Bojs *Vice-chair of the board*

Born: 1964

Johan Bojs is an experienced attorney specializing in tax and commercial law.
He is independent in relation to company's major shareholders but not independent in relation to the company and its management, as he supports the company with additional consultancy work..

Education: LL. M. University of Stockholm; Bachelor of Business University of Gothenburg; Professional Board Member Course, Michaël Berglund Institute in Stockholm.

Background: Johan Bojs is an experienced attorney specializing in tax and commercial law. He is independent in relation to company's major shareholders but not independent in relation to the company and its management as he supports the company with some additional consultancy work.

Current positions: Partner at ASTRA Law Firm, Board member of Cornerstone Group AB, Olero Invest AB, Entramed AB (chairman), Olero Lodge AB, Mirola Holding AB (chairman), NEW International Investments AB (chairman), Astragruppen Advokat AB, Asellus Holding AB, Olero IP AB and Olero Konsult (holder). He also serves a s a deputy board member of Advokatfirman Conny Otteland Aktiebolag, BZ Investment AB, Advokat Per Westman AB, Exig- lobe AB, Advokat Per Westman Stockholm AB, EXIGLOBE HOLDING AB, Cencitio Advokat AB, Johan Bojs Advokat AB, Carl Johan Friis Advokat AB, Koltrasten Utveckling i Stockholm Holding AB and Advokat Hans Näsbrandt AB.

Holdings in Implantica (including related parties): Johan Bojs owns 54,545 class A shares in Implantica MediSwiss AG through his company Olero Invest AB.

Tomas Puusepp *Board member*

Born: 1955

Tomas Puusepp has extensive experience in leading med-tech companies and driving sales growth.
He is independent in relation to the company and its larger shareholders.

Education: Electrical Engineer, studies in Physics at the Royal Institute of Technology in Stockholm and at the University of Stockholm and Management (IEP) at IMD in Lausanne.

Background: Tomas Puusepp has held various positions at the Research Institute for Nuclear Physics, Scanditronix and Ericsson before being employed by Elekta in 1988. Since then, he has held various management positions within the Company, including head of Elekta's neurosurgery operations, President of Elekta's subsidiary in North America, global head of Elekta's sales, marketing and service operations, and President and CEO of Elekta during fiscal years 2005/06 to 2013/14, and during 2015/16.

Current positions: Board member of Permobil Holding AB, SECTRA Aktiebolag, Instoria Sweden AB, Instoria Invest AB and board member and CEO of Investest AB.

Holdings in Implantica (including related parties): Tomas Puusepp owns 8,000 class A shares in Implantica MediSwiss AG.

Stephan Siegenthaler *Board member and Chief Sales & Marketing Officer*

Born: 1957

Stephan Siegenthaler has over 20 years of industry experience focused on building a large network of key opinion leaders as the platform for a multinational sales expansion. He is independent in relation to the company's larger shareholders but not independent in relation to the company and its management, since he is employed as Chief Sales & Marketing Officer, representing the management in the board.

Education: Studies at the Conservatory for Music, Bern (CH), Music Teacher Diploma. Studies at the Conservatory for Music in Geneva, Virtuosité, Soloist Diploma; Postgraduate Studies, Nordwestdeutsche Musikhochschule, Detmold, Germany.

Background: Stephan Siegenthaler co-developed a gastric band (SAGB) business into a multinational company, which eventually commanded approximately 28 percent of the obesity surgery market outside of the US over a six-year period and was sold to Johnson & Johnson for a significant amount. He focused primarily on building the sales organization, created a large key surgical and hospital network, recruited high-performing salespeople and established own sales force in 32 countries.

Current positions: Stephan Siegenthaler has no other ongoing assignments.

Holdings in Implantica (including related parties): Stephan Siegenthaler owns 360,000 class A shares in Implantica MediSwiss AG.

Robert Frigg *Board member*

Born: 1957

Robert Frigg has over 25 years of experience in product development and inventions.
He is independent in relation to the company and its larger shareholders.

Education: Honorary Member of AO Trauma, Germany; Honorary Gold Member of AO Trauma; Honorary Member of The Suisse Society for Orthopedic and Traumatology; Honorary Doctor, Paracelsus Medical University of Salzburg; Honorary Doctor of the medical faculty, University of Zürich; Honorary Doctor, Burdenko Medical Academy (RU), member of medical faculty.

Background: Prof. Dr. h.c. mult. Robert Frigg has vast experience in product development in the medical device industry, having spent over 30 years in innovation leadership positions in the medtech field. He was the Chief Technology Officer at Synthes AG with global responsibility for technology and innovation from 2004 – 2012. Previously, he was VP of Innovation and New Concepts at Mathys Medical from 1997 – 2003. He also founded and managed the AO/ASIF Development Institute in Davos. Dr. Frigg has received numerous awards in recognition of his contributions to the medical device industry.

Current positions: Chairman and owner of 41medical AG, owner of MEDTECinside Research and Development Bettlach, board member of Balgrist Beteiligungs AG, Balgrist Campus AG, Campus SLB Sonnenhof AG, Swiss M4M Center AG, Synbone AG and Zurimed AG.

Holdings in Implantica (including related parties): Robert Frigg owns no shares, SDRs or warrants in the company, however, he has a 5-year share program of 8,039 SDRs.

Klaus Neftel *Board member*

Born: 1945

Klaus Neftel has over 35 years of medical experience of scientific papers and clinical trials.
He is independent in relation to the company and its larger shareholders.

Education: PhD, University of Bern, Switzerland and ECFMG Certificate (Educational Commission for Foreign Medical Graduates).

Background: Prof. Dr. Klaus Neftel is a certified haematologist and specialist in Internal Medicine. Former Chief of Internal Medicine at the Zieglerspital, Bern, Professor at the University of Bern, Founder of Medtec AG, a continuous medical education program. He has been awarded the Swiss Society for Internal Medicine 1983, 1988, 2002 and the Swiss Society for Haematology 1983.

Current positions: Editor Swiss Medical Forum (EMH Swiss Medical Publishers Ltd.); independent medtech investment advisor.

Holdings in Implantica (including related parties): Klaus Neftel owns no shares, SDRs or warrants in the company.

MANAGEMENT

Dr. Peter Forsell

Founder and CEO since inception

Born: 1954

Education and experience: Peter Forsell is a medical doctor educated at Karolinska Institute and specialist surgeon at Karolinska Hospital. He also has additional finance and legal education. Dr. Peter Forsell is the Co-founder of Obtech Medical AG, where he also was Executive Chairman of the Board. He developed the Swedish Gastric Band (SAGB) and turned it into an international business, which captured 28 percent of the obesity surgery market outside of the US under Obtech. The total gastric band market, after the sale to Johnson & Johnson, peaked at 40 percent of the world market. In 2002, in an early stage before US FDA approval, the business was sold to Johnson & Johnson for CHF 175m. He gained valuable experience in medical device product development and the regulatory approval process as well as building a multinational business including a sales organisation in 32 countries.

Dr. Peter Forsell has developed 300 inventions whereof 40 medical device pipeline implant products have been selected after market & product analysis and prototyping. 2/3 of the developed products are "active" implants that rely on a revolutionary wireless technology. During a period of eight years, he developed a wireless energising and eHealth platform and created an extensive patent portfolio protecting his inventions with over 1,000 patent cases and built substantial infrastructure and management team to prepare for the market launch of the first three products, whereof RefluxStop™ already is launched. Dr. Peter Forsell funded the R&D activities of Implantica with the proceeds from the sale of Obtech Medical and has invested more than SEK 800 million in Implantica.

Holdings in Implantica (including related parties): Peter Forsell owns 8,737,364 class A shares and 22,500,000 class B shares in Implantica MediSwiss AG, representing 21,843,410 class A shares and 56,250,000 class B shares in Implantica AG.

Andreas Öhrnberg

Chief Financial Officer since 2020

Born: 1978

Education and experience: Andreas Öhrnberg has a dual M.Sc. (Stockholm School of Economics, Stockholm University) and is a Chartered Financial Analyst. Mr. Öhrnberg has more than 15 years' experience from senior finance and general management positions. Prior to joining Implantica in 2020, Mr. Öhrnberg served as CFO at Talkpool, a publicly listed technology group domiciled in Switzerland. Previously, Mr. Öhrnberg was Vice President Finance & Strategy at Swiss Re, a global Fortune 500 company.

Holdings in Implantica (including related parties): Andreas Öhrnberg owns no shares or SDRs in the company. He has a share program in the company totalling 87,169 shares vesting over a five-year period.

Stephan Siegenthaler

Chief Sales & Marketing Officer and board member since inception

Born: 1957

Education and experience: Studies at the Conservatory for Music, Bern (CH), Music Teacher Diploma. Studies at the Conservatory for Music in Geneva, Virtuosité, Soloist Diploma; Postgraduate Studies, Nordwestdeutsche Musikhochschule, Detmold, Germany.

Stephan Siegenthaler co-developed a gastric band (SAGB) business into a multinational company, which eventually commanded approximately 28 percent of the obesity surgery market outside of the US over a six-year period and was sold to Johnson & Johnson for a significant amount. He focused primarily on building the sales organization, created a large key surgical and hospital network, recruited high-performing salespeople and established own sales force in 32 countries.

Holdings in Implantica (including related parties): Stephan Siegenthaler owns 360,000 class A shares in Implantica MediSwiss AG.

Nicole Pehrsson

Vice President Operations & Investor Relations since 2016

Born: 1966

Education and experience: Bachelor of Arts in Economics, University of California, Los Angeles (summa cum laude). Nicole Pehrsson has strong financial experience in corporate finance and equity research. In Switzerland, Nicole worked as an equity research analyst at EFG Bank AG, Zurich, and before that as a business developer in the Corporate Finance team of JP Morgan, Zurich. In the US, she worked as an analyst in the Corporate Finance Group of Kidder, Peabody & Co. Inc. in Los Angeles and Boston. Extracurricular financial activities involved – among others – appointed to Investment Advisory Board of the City of Huntington Beach (CA) and the Boston Women's Fund in Boston (MA).

Holdings in Implantica (including related parties): Nicole Pehrsson owns 192,567 class A shares in Implantica MediSwiss AG and has a share program in the company for 42,400 shares vesting over a five-year period.

CORPORATE GOVERNANCE REPORT

1 Introduction

Implantica AG is a company limited by shares in the sense of article 261ff of the Liechtenstein Persons' and Companies' Act (Personen- und Gesellschaftsrecht) (the "PGR"), incorporated in Liechtenstein and registered with the Liechtenstein Commercial Register on 7 February 2020 under the registration number FL-0002.629.889-3.

Corporate governance in the Company is governed by Liechtenstein laws and regulations and the Articles of Association of Implantica AG also taking into consideration the Swedish Corporate Governance Code. External regulations that shape the Company's corporate governance framework include the Liechtenstein PGR, the Swedish Corporate Governance Code (the "Code") and the Nasdaq First North Growth Market's Rulebook (the "Rulebook"). Internal instructions and policies of importance for corporate governance purposes include the Articles of Association, the Organizational Regulations, the Information Policy and the Insider Policy.

The corporate governance of the Company is exercised by the following corporate bodies:

- General Meeting of Shareholders
- Board of Directors and Board Committees
- Chairman of the Board
- CEO and Executive Management
- Statutory Auditor

2 Corporate bodies

2.1 General Meetings of Shareholders

Shareholder influence in the company is exercised at the General Meeting of Shareholders which, in accordance with the Liechtenstein PGR, is the company's highest decision-making body. A shareholders' meeting can take decisions about all matters in the company that do not constitute another company body's exclusive area of competence.

Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the Company's statutory Auditors. The Board of Directors is further required to convene an extraordinary general meeting if, so resolved by a shareholders' meeting or, if so requested by holders of shares holding in aggregate at least ten percent of the nominal share capital of the Company.

According to the Articles of Association, the General Meeting of Shareholders shall be convened by the Board of Directors of the Company at the latest twenty days before the date of the meeting. The meeting shall be convened by way of a notice appearing on the Company's website www.implantica.com.

Shareholders of the Company can be represented by proxy at shareholders' meetings by another person which does not need to be a shareholder but a representative by law or specially designated independent proxy. The General Meeting of Shareholders shall elect the independent proxy for a term of office lasting until completion of the next annual General Meeting of Shareholders. Re-election is possible.

2.2 Board of Directors

The Board of Directors is responsible for the conduct of the Company's affairs and the representation of the Company. The members of the Board of Directors are elected by the General Meeting of Shareholders.

According to the Articles of Association, the Board of Directors shall consist of a minimum of 3 and a maximum of 9 members. It is currently composed of 6 members as per below table.

Pursuant to the Articles of Association, the Board of Directors delegates, within the limits of the law and the Articles of Association, the management of the Company in whole or in part to the Executive Management.

Over 2020, due to the measures laid down relating to COVID-19 by the Liechtenstein Government and other governments, the Board of Directors held all its meetings as video conferences.

Pursuant to the Code, the Board is to evaluate its work annually, using a systematic and structured process, with the aim of developing the Board's working methods and efficiency. Following the initial listing in September 2020, the Board of

Board of Directors

Name	Position	Board member of the Company since[1]	Independent to the Company and its management	Independent to major shareholders	Present at meetings of the Board
Liselott Kilaas	Chairman of the Board	2020	Yes	Yes	(14/14)
Johan Bojs[2]	Vice-Chairman of the Board	2020	No	Yes	(14/14)
Prof. Dr. h.c. mult. Robert Frigg	Board member	2020	Yes	Yes	(13/14)
Prof. Dr. Klaus Neftel	Board member	2020	Yes	Yes	(12/14)
Tomas Puusepp	Board member	2020	Yes	Yes	(6/14)
Stephan Siegenthaler	Board member	2020	No	Yes	(14/14)

1) Since Implantica AG is a newly established entity, all Board Members of the Company have been appointed in 2020. T. Puusepp was appointed in August 2020.
2) Johan Bojs is a lawyer and Partner AstraLaw and has provided the Company with legal advice for which the Company has paid marketable compensation.

Directors has decided to perform its first self-evaluation in the course of 2021.

2.3 Chairman of the Board of Directors

The tasks of the Chairman include:

a. The coordination of the work of the Board of Directors, issue invitations to Board of Directors meetings, and draw up the agenda together with the Board of Directors Secretary;

b. Ensuring that the Board of Directors receives the Board-level information and documentation that is necessary for decision-making;

c. Leading General Meetings of Shareholders and Board of Directors meetings;

d. Coordinating the work of the committees along with the Committee Chairman and participate in committee meetings;

e. Monitoring the implementation of resolutions of the Board of Directors and the General Meeting of Shareholders;

f. On behalf of the Board of Directors, the Chairman or the Vice-Chairman shall exercise the direct supervision and control over the Executive Management.

2.4 Nomination and Remuneration Committee

The Company has chosen to establish a combined Nomination and Remuneration Committee. The Nomination and Remuneration committee is equivalent to the Remuneration Committee according to the Swedish Corporate Governance Code.

According to the Articles of Association, the Company shall have a Nomination and Remuneration Committee that consists of a minimum of two and a maximum of three members of the Board of Directors.

The General Meeting of Shareholders in 2020 elected Johan Bojs (Chairman) and Prof. Dr. Klaus Neftel to the Nomination and Remuneration Committee.

The members of the Nomination and Remuneration Committee are elected individually by the General Meeting of Shareholders for a term of office lasting until completion of the next annual General Meeting of Shareholders.

In accordance with the Articles of Association, the Nomination and Remuneration Committee has inter-alia the following powers:

a. develop a remuneration strategy and submit it for approval to the Board of Directors which will receive final approval by the General Meeting of Shareholders in line with the principles described in the Articles of Association;

b. support the Board of Directors in preparing the proposals to the General Meeting of Shareholders regarding the remuneration of the members of the Board of Directors and the Executive Management;

c. assume other responsibilities assigned to it by law, the Articles of Association or by the Board of Directors.

2.5 Risk and Audit Committee

The Board of Directors has established a Risk and Audit committee which is equivalent to the Audit Committee according to the Swedish Corporate Governance Code. It is inter-alia responsible for oversight of the Company's financial reporting process, selection of the independent auditor and receipt of audit results. The committee comprises two members: Liselott Kilaas (Chairman) and Johan Bojs.

The essential tasks of the Risk and Audit Committee include:

a. Examination of and the presentation of proposals to the Board of Directors concerning the organization of the accounting, financial control, and financial planning systems;

b. Critical analysis of the Company and its financial statements. Discussion of these financial statements with the CFO and the External Auditors. The presentation of proposals to the Board of Directors concerning these financial statements;

c. Assessment of the efficacy and performance of the External Auditors and their fee, as well as their independence.

d. The assessment of the reports of the External Auditors (including the audit report pursuant to Article 196 PGR) and the discussion of these reports with the External Auditors;

e. Assessment of the functional capability of the internal control system, under inclusion of Risk Management and Compliance.

2.6 CEO and Executive Management

The CEO bears overall responsibility for the operational leadership of the Company and in this task is supported by the Executive Management. The CEO is responsible for the implementation of the overall Company strategy. The responsibility also includes the development and monitoring of good corporate governance and compliance. In consultation with the Chairman, the CEO represents the Company vis-à- vis important investors, the media, and other stakeholders, as well as with the public at large.

In line with the PGR, the Board of Directors delegates, within the limits of the law and the Articles of Association, the management of the Company in whole or in part to the

Executive Management. The Executive Management is the key management body of the Company. It shall support the Board of Directors in the development of the strategy and is responsible for its implementation, results and supports the cooperation within the Company. The Executive Management is also responsible for the Company management and ensuring compliance with corporate governance standards.

3 Remuneration

3.1 Remuneration strategy

Implantica is committed to a Remuneration framework that is balanced and performance-oriented aligning the interests of employees and shareholders. The framework is designed to promote long-term sustainable performance for the Group and its shareholders through a mix of fixed and variable compensation components.

The Annual General Meeting sets aggregate amounts of remuneration to the Board of Directors and the Executive Management. Whereas the Remuneration Committee develops the remuneration strategy and supports the Board of Directors in preparing the proposals to the General Meeting.

3.2 Remuneration of Directors and the Executive Management

The members of the Board of Directors are entitled to cash compensation. Selected members of the Board of Directors are also eligible for the long-term share-based incentive plan. In addition, one Director, is entitled to pension contributions.

Remuneration to the Executive Management consist of a fixed salary and statutory pension. In addition to the cash remuneration, selected members of the Executive Management are eligible for the long-term share-based incentive plan.

3.2.1.1.1 Cash and Pension Remuneration

The table below outlines Board of Directors and Executive Management cash and pension remuneration over 2020.

3.2.1.1.2 Long term share-based incentive plan

The call options granted under the long-term share-based incentive plan to Board of Directors and Executive Management are as follows:

	Call Options granted (31 December 2020)	Effective date
Nicole Pehrsson	42,400	February 1, 2019
Henric Forsell	9,231	January 1, 2018
Andreas Öhrnberg	87,169	February 1, 2020
Liselott Kilaas	28,135	April 1, 2020
Robert Frigg	8,039	April 1, 2020
Total	**174,974**	

The option grants vest annually over a five-year period. The long-term share-based incentive plan form an integral part of plan participants' total remuneration package with the option strike price being zero. Note 21 on Share-based Compensation, in the consolidated financial statements, provides more details on the share-based incentive plan.

4 Securities and ownership

4.1 Securities

Implantica AG has two classes of shares, class A and class B. The class A shares are listed on the Nasdaq First North Premier Growth Market, through Swedish Depository Receipts ("SDRs"). One SDR represents one class A share in Implantica AG.

The class A and class B shares are governed by the laws of Liechtenstein and are issued in CHF. All of the underlying shares and the SDRs are freely transferable.

Board of Directors and Executive Management cash and pension remuneration over 2020

In CHF	Fixed	Variable	Pension	Social Security	Total
Board of directors					
Liselott Kilaas	22,500	-	-	-	22,500
Johan Bojs	10,000	-	-	-	10,000
Tomas Puusepp	4,910	-	12,274	-	17,184
Prof. Dr. h.c. mult. Robert Frigg	10,000	-	-	860	10,860
Prof. Dr. Klaus Neftel	10,000		-	-	10,000
Stephan Siegenthaler	-	-	-	-	-
Board of directors in total	**57,410**	**-**	**12,274**	**860**	**70,544**
Executive Management					
Dr. Peter Forsell(CEO)	-	-	-	-	-
Other senior executives	422,002	-	18,181	46,838	487,021
Total senior executives	**422,002**	**-**	**18,181**	**46,838**	**487,021**
Total Board of Directors and Executive Management	**479,412**	**-**	**30,455**	**47,698**	**557,565**

Through a resolution passed by an absolute majority of votes present at a shareholders' meeting, class B shares may be converted into class A shares and class A shares may be converted into class B shares.

The SDRs are registered in a central securities depositary register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is maintained by Euroclear, Box 191, 101 23 Stockholm, Sweden. The ISIN code for the Company's SDRs is SE0001234568. The Company's class A and class B shares are not registered in a central securities depositary.

4.2 Ownership

Per 31 December 2020, one shareholder held more than 10 % of the voting rights. Implantica AG is controlled by Implantica MediSwiss AG holding 69.8 % of the capital. The ultimate controlling party is Dr. Peter Forsell.

5 Audit and Controls

The Board of Directors is responsible for the overall supervision and control of the Group and its management. The Board of Directors in particular monitors compliance with applicable law and regulations.

5.1 Statutory auditor

The statutory external auditors are elected by the General Meeting of Shareholders on an annual basis and have the powers and duties vested in them by law. The present statutory auditor is KPMG (Liechtenstein) AG. Lars Klossack is the responsible auditor. Mr. Klossack is an authorised public accountant and a member of the Liechtenstein Association of Chartered Accountants.

If the auditors discover violations of the law or the articles of association during their audit, they must report this in writing to the Board of Directors and, in important cases, to the General Meeting of Shareholders. The auditors are subject to the duty of confidentiality except in respect of the members of the board of directors and the other auditors.

The auditors meet with the Board of Directors and the Audit Committee on at least a yearly basis and are further represented at the General Meeting of Shareholders.

5.2 Risk Assessment and Control

The company has established processes for risk assessment, in order to ensure that the risks the company is exposed to are handled within the risk management framework established by the Board of Directors.

An overall company-wide risk assessment is conducted at least yearly. The risks are mapped and linked to mitigating actions. Risks are monitored by the Audit and Risk Committee throughout the year through reporting from Executive Management.

Implantica has an internal control system in place to ensure that the financial resources of the organisation are properly used, protected and recorded. The system determines, with reasonable assurance, that the financial reporting is reliable and prepared in accordance with generally accepted accounting practices, in compliance with applicable laws and regulations. The Board of Directors is ultimately responsible for internal control.

The Board of Directors has considered the need for an internal audit function but has taken the view that it is not currently warranted for Implantica. This due to the scope of the operations and because the Board of Directors' monitoring of the internal control is deemed sufficient to ensure that internal controls are effective. The Board of Directors will review the need in the event of changes which may give rise to re-evaluation and at least once annually.

SHARE INFORMATION AND SHAREHOLDERS

Implantica AG is a public company listed on Nasdaq First North Premier Growth Market through Swedish Depositary Receipts (SDRs) since 21 September 2020. One SDR represents one underlying Class A share in the company. The company has two share classes, Class A and Class B shares. The SDR is included in both First North All share SEK and First North Health Care PI index. In December 2020, Nasdaq announced that Implantica would be included in the index First North 25, which consists of the largest and most traded shares listed on First North Growth Market.

Share capital

The fully paid in share capital of the Group amounts to CHF 128,923 thousand (EUR 120,187 thousand) and is divided into 53,211,537 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).

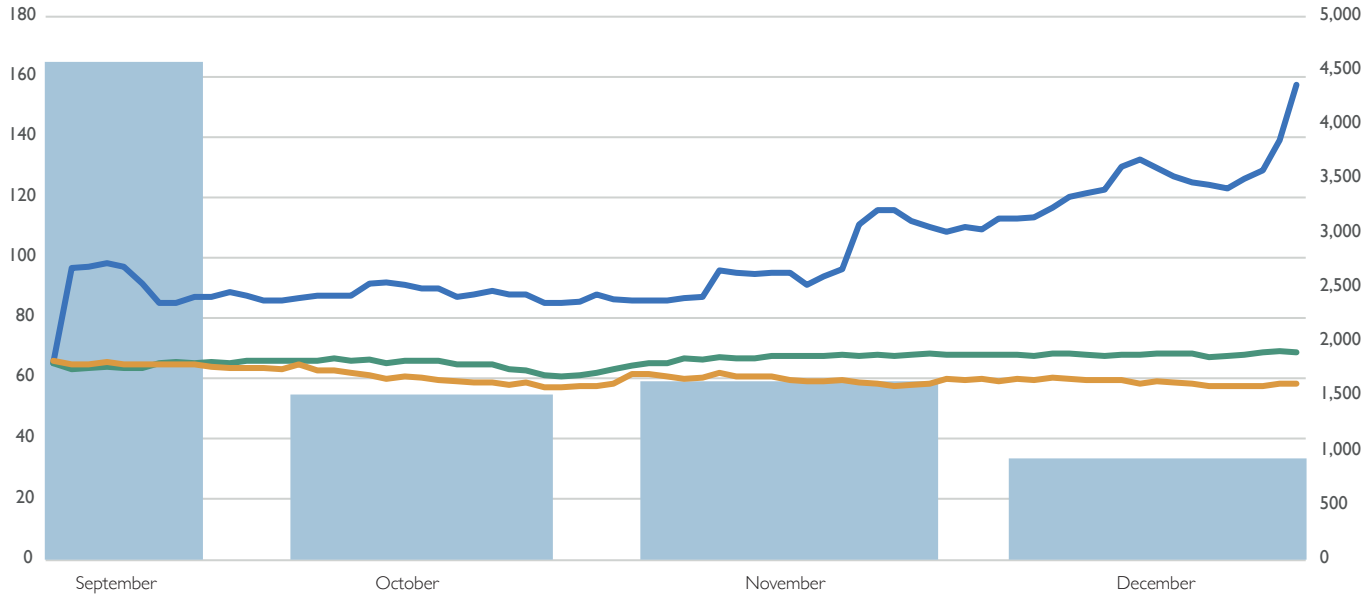
During the period the number of shares changed as follows:

January to December (in number of shares)	Class A shares 2020	Class B shares 2020
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	-
Overallotment option	2,538,461	-
In issue at 31 December	**53,211,537**	**56,250,000**

Issued for contribution in kind

On 7 February 2020 Implantica MediSwiss AG incorporated Implantica AG by contributing the subsidiaries of the Group.

The Implantica share. *September 21 - December 31 2020*



Source: Euroclear

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.

Nasdaq First North and Certified Adviser

First North Growth Market is an alternative market for Nordic growth companies designed primarily for small and medium-sized enterprises. Implantica's stock is traded in the segment Premier where requirements are higher. Among other things the company has to undertake to follow the Swedish Code of Corporate Governance.

First North Growth Market does not have the same legal status as a regulated market and its regulatory framework is somewhat less extensive than those applicable in the exchange's bigger markets. Every company whose stock is traded on First North Growth Market Stockholm has a Certified Adviser who monitors the company's compliance with First North's regulations for the provision of information to the market and investors.

Implantica's appointed Certified Adviser FNCA Sweden AB, +46 (0)8 528 00 399, info@fnca.se.

Price trend

The introductory price at the listing on First North Growth Market on September 21, 2020, was SEK 65. At the end of the listing day the stock closed at SEK 96,56. As of closing on September 21, 2020, Implantica's stock climbed 63 percent until year-end 2020, while the First North All Share index during the same period rose by 13.8 percent. Compared to the introductory price the stock increased 142 percent. The highest price paid was SEK 157.1 noted on 30 of December 2020, and the lowest price was SEK 85 noted on 29 of September, 28 of October and 29 of October 2020. At year-end 2020, the final payment price was SEK 157,10.

Ticker:	IMP A SDB
ISIN code:	SE0014855029

Analyst coverage

Christian Lee
Pareto Securities

The 10 largest shareholders as of December 31, 2020

Name	Capital (%)
Implantica MediSwiss	69.8%
Handelsbanken Fonder	6.7%
Swedbank Robur Fonder	6.0%
TIN Fonder	3.6%
Nordea Investment Management	2.4%
Skandia Liv	1.3%
Skandia Fonder	1.1%
Unionen	1.0%
IF	0.8%
Avanza Pension	0.5%

Source: Euroclear

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

in thousands of EUR	Notes	Jan to Dec 2020	Jan to Dec 2019
Net Sales		152	28
Cost of sales			
Amortisation of capitalized development costs	16	(1,227)	(1,227)
Other cost of sales		(5)	(3)
Total cost of sales		**(1,232)**	**(1,230)**
Gross loss		**(1,080)**	**(1,202)**
Research and development costs	6	(2,386)	(1,537)
General and administrative costs	6	(7,224)	(2,648)
Other income	7	49	817
Operating loss		**(10,641)**	**(4,570)**
Financial income	9	1,219	193
Financial expenses	9	(898)	(584)
Loss before income taxes		**(10,320)**	**(4,961)**
Income taxes	10	43	156
Loss for the period attributable to owners of the Company		**(10,277)**	**(4,805)**
Earnings per share			
Basic and diluted loss per share Class A (in EUR)	20	(0.20)	(0.11)
Basic and diluted loss per share Class B (in EUR)	20	(0.04)	(0.02)

Consolidated statement of profit or loss and other comprehensive income

in thousands of EUR	Notes	Jan to Dec 2020	Jan to Dec 2019
Loss for the period		**(10,277)**	**(4,805)**
Other comprehensive income			
Remeasurement of net defined benefit liability	22	106	45
Related income taxes		(13)	(6)
Total items that will not be reclassified to profit or loss		**93**	**39**
Translation differences		(485)	(77)
Total items that may be reclassified subsequently to profit or loss		**(485)**	**(77)**
Other comprehensive income for the period, net of tax		**(392)**	**(38)**
Total comprehensive income for the period attributable to owners of the Company		**(10,669)**	**(4,843)**

The notes on pages 48 to 60 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

in thousands of EUR	Notes	31 Dec 2020	31 Dec 2019	01 Jan 2019
Assets				
Current assets				
Cash and cash equivalents	11	97,511	34	75
Accounts receivable		23	47	19
Other current receivables	12	307	1,250	424
Inventories	13	182	258	152
Total current assets		**98,023**	**1,589**	***670***
Non-current assets				
Property, plant and equipment	14	90	96	118
Right-of-use assets	15	197	127	230
Intangible assets	16	17,341	16,911	16,169
Deferred tax assets	10	968	952	1,033
Total non-current assets		**18,596**	**18,086**	***17,550***
Total assets		**116,619**	**19,675**	**18,220**
Liabilities and equity				
Current liabilities				
Trade accounts payable		4	2	136
Financial liabilities	17	113	2,583	2,301
Other current liabilities	18	1,422	2,241	2,018
Total current liabilities		**1,539**	**4,826**	**4,455**
Non-current liabilities				
Financial liabilities	17	86	35	326
Financial liabilities due to ultimate main shareholder	17	-	2,172	-
Pension liability	22	108	164	131
Deferred tax liabilities	10	-	949	-
Total non-current liabilities		**194**	**3,320**	**457**
Total liabilities		**1,733**	**8,146**	**4,912**
Equity				
Share capital	19	120,187	84,073	84,073
Capital reserves	19	206,503	128,740	126,109
Translation differences		(451)	34	111
Retained earnings		(211,353)	(201,318)	(196,985)
Total equity		**114,886**	**11,529**	**13,308**
Total liabilities and equity		**116,619**	**19,675**	**18,220**

The notes on pages 48 to 60 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

in thousands of EUR	Notes	Jan to Dec 2020	Jan to Dec 2019
Loss for the period		**(10,277)**	**(4,805)**
Adjustments for			
Depreciation, amortisation and impairment	14-16	1,444	1,423
Financial income	9	(1,219)	(193)
Financial expenses	9	898	584
Income taxes	10	(43)	(156)
Share-based compensation	21	149	433
Income taxes paid		-	(1)
Other financial result		(15)	(8)
Change in pension liabilities		48	69
Other non-cash items		(79)	(57)
Changes in net working capital			
Decrease / (increase) accounts receivable		24	(27)
Decrease / (increase) other current receivables		(605)	(820)
Decrease / (increase) inventories		76	(106)
(Decrease) / increase trade accounts payables		2	(134)
(Decrease) / increase other current liabilities		(767)	225
Net cash outflow from operating activities		**(10,364)**	**(3,573)**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(31)	(8)
Investment in intangible assets	16	(1,718)	(2,022)
Net cash outflow from investing activities		**(1,749)**	**(2,030)**
Cash flows from financing activities			
Gross proceeds from listing	19	119,325	-
Listing transaction costs	19	(3,392)	-
Payment of lease liabilities	15	(114)	(100)
Interest paid		(110)	(10)
Proceeds from financial liabilities	17	5,710	5,675
Repayment of financial liabilities	17	(12,434)	-
Net cash inflow from financing activities		**108,985**	**5,565**
Net increase in cash and cash equivalents		**96,872**	**(38)**
Effect of exchange rate fluctuations on cash held		605	(3)
Cash and cash equivalents at 1 January		34	75
Cash and cash equivalents at 31 December	11	**97,511**	**34**

The notes on pages 48 to 60 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in thousands of EUR	Notes	Jan to Dec 2020				
		Share capital[1)]	Capital reserves	Translation differences	Retained Earnings	Total equity
Balance at 1 January 2020		**84,073**	**128,740**	**34**	**(201,318)**	**11,529**
Loss for the period attributable to owners of the Company		-	-	-	(10,277)	(10,277)
Other comprehensive income (net)		-	-	(485)	93	(392)
Total comprehensive income (net)		**-**	**-**	**(485)**	**(10,184)**	**(10,669)**
Gross proceeds from listing	*19.2*	36,114	83,211	-	-	119,325
Listing transaction costs	*19.2*	-	(3,392)	-	-	(3,392)
Equity portion of other non-current financial liability due to shareholder	*17*	-	(2,056)	-	-	(2,056)
Share-based compensation	*21*	-	-	-	149	149
Total transactions with shareholders		**36,114**	**77,763**	**-**	**149**	**114,026**
Balance at 31 December 2020		**120,187**	**206,503**	**(451)**	**(211,353)**	**114,886**

in thousands of EUR	Notes	Jan to Dec 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		-	-	-	(4,805)	(4,805)
Other comprehensive income (net)		-	-	(77)	39	(38)
Total comprehensive income (net)		**-**	**-**	**(77)**	**(4,766)**	**(4,843)**
Equity portion of other non-current financial liability due to shareholder	*17*	-	2,631	-	-	2,631
Share-based compensation	*21*	-	-	-	433	433
Total transactions with shareholders		**-**	**2,631**	**-**	**433**	**3,064**
Balance at 31 December 2019		**84,073**	**128,740**	**34**	**(201,318)**	**11,529**

1) Implantica AG was incorporated on 7 February 2020 (Note 3.5)

The notes on pages 48 to 60 are an integral part of these consolidated financial statements.

Notes Consolidated Financial Statements

NOTE 1 General information

Implantica AG (the 'Company') is domiciled in Landstrasse 1, 9490 Vaduz, Liechtenstein. These consolidated annual financial statements ('financial statements') as at and for the year ended 31 December 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. Implantica AG is controlled by Implantica MediSwiss AG. The ultimate controlling party is Dr. Peter Forsell.

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 (Note 3.5).

These financial statements were authorised for issue by the Company's Board of directors on 23 March 2021. As of this date, no material events after the reporting date have occurred. The consolidated financial statements will be submitted for approval to the Annual General Meeting of Shareholders of Implantica AG, to be held on 16 April 2021.

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 for the 31 December 2020 year-end financial statements considering the increased uncertainty in connection with the COVID-19 pandemic and concluded that no impairment was 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-elective surgeries being delayed and challenges for sales representatives with engaging 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 is not expected to change.

NOTE 3 Summary of significant accounting policies

3.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as at 31 December 2020, and the additional requirements pursuant to Article 17a of the Ordinance on the Liechtenstein Persons and Companies Act (PGR-VO).
For the preparation of these financial statements the historical cost basis except for all those assets and liabilities measured at fair value has been applied. All amounts are presented 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.

3.2 Going concern

These financial statements have been prepared on the going concern basis which assumes that the Group will continue in existence in the foreseeable future.

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

3.4 Critical accounting estimates and judgements

The preparation of these 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.

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

The Group repaid in September 2020 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 (Note 17).

3.5 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.

For a listing of all entities contributed as part of the Company's incorporation refer to Note 23.

3.6 First-time adoption of IFRS

These financial statements are the first annual financial statements the Group has prepared in accordance with IFRS as adopted by the EU. However, since the Group applies the book values (Note 3.5) of the consolidated financial statements prepared by the Group's controlling shareholder, Implantica MediSwiss AG in accordance with IFRS as adopted by the EU, no reconciliations from previous GAAP to IFRS are disclosed.

3.7 Changes in significant accounting policies

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

NOTE 4 Published financial reporting standards not yet applied

On 23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments also clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2022 and has not been early adopted by the Group. These amendments will not have an impact on financial liabilities currently in recognised by the Group. The Group will closely monitor future financial liabilities for a potential impact.

Other new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTE 5 General accounting policies

5.1 Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are converted to the functional currency of each reporting unit using the foreign exchange rate applicable at the transaction date. Assets and liabilities in foreign currencies are remeasured at each reporting date using the foreign exchange rate applicable at that date. Any foreign exchange rate differences are recognised in the consolidated statement of profit or loss.

Functional and presentation currency

The functional currency of a reporting unit is the currency of the primary economic environment in which the reporting unit operates. The functional currency of Implantica AG is Swiss franc (CHF). The consolidated financial statements are presented in EUR. The financial information of reporting units that have a functional currency different from the presentation currency (foreign operations) are translated to EUR as follows:

- assets and liabilities using the rate applicable at each balance sheet date (closing rate); and
- income and expenses using the average rate of the period (average rate).

Foreign exchange gains or losses resulting from the translation of financial statements of foreign operations are recognised in other comprehensive income and presented separately in equity as "Translation differences".

Exchange rates applied to key foreign currencies:

Currency	Unit	31 Dec 2020	31Dec 2019	1 Jan 2019	Jan to Dec 2020	Jan to Dec 2019
		Closing rates	Closing rates	Closing rates	Average rates	Average rates
CHF	1	0.926	0.922	0.887	0.934	0.885
USD	1	0.815	0.890	0.873	0.877	0.885
SEK	100	9.966	9.572	9.751	9.540	9.509

5.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances at financial institutions and cash on hand.

5.3 Accounts receivable

Accounts receivable without a significant financing component are initially measured at the transaction price, and subsequently measured at amortised cost using the effective interest method less expected credit losses. The Group analyses the expected credit losses incurred in the past and estimates anticipated credit losses based on forward locking indicators.

5.4 Inventories

Inventories are measured at the lower of costs and net realisable value and consist of RefluxStop™ and deployment tools. Costs comprises cost of purchase plus any directly attributable costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after the deduction of rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary for the sale. Inventories are written-down to the net realisable value in the period in which the write-down occurs (e.g. due to low turnover).

5.5 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation expenses utilise the straight-line method over the estimated useful life of the assets. Assets are depreciated to their residual value. The following table summarises the respective useful lives used by the Group:

Asset category	Number of years
Furniture	8
Vehicles/Tools	5
IT/Hardware	5

The residual values and useful lives are reviewed at the end of each reporting period and adjusted if necessary. An asset's carrying amount is impaired to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss.

5.6 Right-of-use assets and lease liability

The Group recognises a right-of-use asset (i.e. leased buildings) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are periodically reduced by impairment losses, if any. The lease liabilities are initially measured at the present value of the future lease payments (incl. extension options reasonably certain to be exercised, if any), discounted using the incremental borrowing rate as the discount rate unless the rate implicit in the lease is readily determinable.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

5.7 Intangible assets

Development costs

Development activities involve a plan or design for the production of new or substantially improved products and processes. The development expenditure is capitalised 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 capitalised includes the cost of materials, external services, personnel and temporary employees. Furthermore, patent costs are capitalised and include legal fees in filing of new applications and prosecuting applications. Renewable patent fees are capitalised until finalisation of the development process. Other development expenditure is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Software

Expenditure on the implementation of software, including licenses and external consulting fees, which are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Amortisation and impairments

Amortisation is applied using the straight-line method over the estimated useful life of the intangible asset. Amortisation begins when the asset is available for use and for each period the amortisation is recognised in profit or loss. The following table summarises the respective useful lives used by the Group:

Asset category	Number of years
Software	3
Development costs	10

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if necessary. Intangible assets not yet available for use (i.e. development costs, Note 16) are tested for impairment at least annually and upon the occurrence of an indication of impairment.

Impairment charges of development costs not yet available for use are recognised within "Research and development costs" while amortisation charges of intangible assets available for use are recognised within "Cost of sales" in the consolidated statement of profit or loss.

5.8 Research costs

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

5.9 Income tax

Income tax on the profit or loss for the period 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 OCI or to equity, in which case it is recognised in other comprehensive income or in equity, as appropriate. Current income tax is based on the taxable result for the period and any adjustment to tax payable in respect of previous periods. 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 recognised for all taxable temporary differences, and deferred tax assets are recognised 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.

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.

5.10 Provisions

The Group recognises 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.

5.11 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 RefluxStop™, a medical device treating acid reflux. The products are 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 90 days.

5.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of the recognition. Trade and other payables are presented as current liabilities unless payment is not due with 12 months after the reporting period. They are recorded initially at their fair value and subsequently measured at amortised cost using the effective interest method.

5.13 Non-current financial debts due to ultimate main shareholder

Non-current financial debts due to the ultimate main shareholder (Dr. Peter Forsell) are initially recognised at fair value. If the fair value at the date of initial recognition is lower than the nominal value, i.e. the cash amount received, the difference between the fair value and the nominal value is recognised as a capital contribution by the shareholder, since the funding provided by the main ultimate shareholder is considered to be in his capacity as the owner of the Implantica Group.

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

The Implantica Group joined a collective pension plan operated by an insurance company which covers the employees of Implantica Management AG, Zug, Switzerland, of Implantica Trading AG, Zug, Switzerland, as well as of Implantica AG, Vaduz, Liechtenstein. 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 recognised 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 benef it 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 rates
- 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

The liability recognised 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 (DBO) is calculated annually by independent actuaries using the projected unit credit method, considering possible risk sharing rules stated in IAS 19. When the calculation results in a benefit to the Implantica Group, the recognised 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 recognised in the consolidated statement of profit or loss within operating result
- Interest expense or income on net liability or asset, which is recognised in the consolidated statement of profit and loss within financial result
- Remeasurements, which are recognised in the consolidated statement of other 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 recognised 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, considering any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

5.15 Share-based payment arrangements

The grant date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. The amount recognised as an expense is therefore adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met.

"Grant date" is the date at which the entity and the employee agree to a share-based payment arrangement, and requires that the entity and the employee have a shared understanding of the terms and conditions of the arrangement.

5.16 Segment Reporting

The Group focuses on the discovery, development and prospective commercialization of medical products and implants that are intended for use in different treatment fields like in the area of gastrointestinal surgery and urology. However, there is only one segment reported in a manner consistent with management reporting to the CEO, which is the chief operating decision-maker. All revenues recorded by the Group during the years ended 31 December 2020 and 2019 have been generated with RefluxStop™ in Switzerland.

NOTE 6 Operating expenses by nature

	Jan to Dec	
in thousands of EUR	2020	2019
Personnel expense (Note 8)	1,314	1,444
Consulting expense	3,223	1,866
Listing transaction costs (Note 19.2)	3,920	-
Audit and accounting services	275	156
Communication & IT	219	238
Marketing	137	203
Depreciation and amortization	217	196
Insurance, charges & capital taxes	204	50
Other operating expenses	101	32
Total operating expenses	**9,610**	**4,185**

NOTE 7 Other income

	Jan to Dec	
in thousands of EUR	2020	2019
Management services provided to parent company	-	772
Other income	49	45
Total other income	**49**	**817**

NOTE 8 Personnel expenses

	Jan to Dec	
in thousands of EUR	2020	2019
Salaries and wages	946	747
Social security contributions	92	68
Short-time work compensation	(102)	-
Pension defined benefits plans (Note 22)	71	92
Share-based compensation (Note 21)	149	433
Other personnel expenses	158	104
Total personnel expenses	**1,314**	**1,444**
Average number of employees	19	15
Average number of contract staff with employee like terms	41	17
Total	**60**	**32**

NOTE 9 Financial income and expenses

in thousands of EUR	Jan to Dec 2020	Jan to Dec 2019
Foreign exchange gains	1,219	193
Total financial income	**1,219**	**193**
Interest expense	110	10
Bank charges	15	8
Interest expense on lease liabilities	3	5
Unwinding effective interest on financial debts (Note 17)	541	310
Foreign exchange losses	229	251
Total financial expenses	**898**	**584**

NOTE 10 Income taxes

10.1 Income taxes in statement of profit or loss

in thousands of EUR	Jan to Dec 2020	Jan to Dec 2019
Current income tax expense (income)	11	8
Deferred income tax expense (income)	(54)	(164)
Total income tax expense (income)	**(43)**	**(156)**

10.2 Reconciliation of effective tax rate

in thousands of EUR	Jan to Dec 2020	Jan to Dec 2019
Loss before taxes	(10,320)	(4,961)
Group's weighted average tax rate	26.7%	31.0%
Income taxes at group's weighted average tax rate	**(2,752)**	**(1,540)**
Tax losses not capitalized	2,584	1,330
Change in tax rate	-	110
Capitalisation of previously unrecognised deferred tax assets	(52)	(64)
Derecognition of previously recognised deferred tax assets	166	-
Other	11	8
Income taxes reported	**(43)**	**(156)**
Effective tax rate	0.4%	3.1%

The tax rate of the Group is the weighted average tax rate obtained by applying the currently expected rate for each individual jurisdiction to its respective profit or loss before taxes. As a result of changes in the country mix of the profit before taxes, the Group's weighted average tax rate changed from 31.0% for the year ended 31 December 2019 to 26.7% for year ended 31 December 2020.

On 19 May 2019, Swiss voters have approved the Federal Act on Tax Reform and AHV Financing (TRAF). It has entered into force on 1 January 2020. Amongst other impacts, the tax reform provides for an abolishment of the privileged tax regimes on cantonal level (holding, mixed and domiciliary company regime), the introduction of a patent box (both mandatory), an R&D super deduction, a notional interest deduction on surplus equity and exemptions for capital tax purposes. As a consequence of the TRAF, cantons in Switzerland changed their corporate tax rates. For the Group corporate tax rates from Canton Zug are applicable. These rates changed from 14.5% to 12.0% and therefore a deferred tax expense of EUR 110 thousand was recognised in the year ended 31 December 2019 due to the revaluation of deferred tax assets.

10.3 Deferred income taxes

Deferred tax assets and liabilities are attributable to the following items:

in thousands of EUR	Jan to Dec 2020					
	Balance at 1 January	Recognised in P&L	Recognised in OCI	Recognised in Equity	Translation differences	Balance at 31 Dec
Intangible assets	1,036	(68)	-	-	-	968
Share-based compensation	13	(12)	-	-	(1)	-
Pension defined benefits plans	23	(9)	(13)	-	(1)	-
Inventory	24	(24)	-	-	-	-
Leasing	1	(1)	-	-	-	-
Total deferred tax assets	**1,097**	**(114)**	**(13)**	**-**	**(2)**	**968**
Set-off of deferred tax assets	(145)					-
Net deferred tax assets	**952**					**968**
Financial debts	1,094	(168)	-	(926)	-	-
Total deferred tax liabilities	**1,094**	**(168)**	**-**	**(926)**	**-**	**-**
Set-off of deferred tax liabilities	(145)					-
Net deferred tax liabilities	**949**					**-**

in thousands of EUR	Jan to Dec 2019					
	Balance at 1 January	Recognised in P&L	Recognised in OCI	Recognised in Equity	Translation differences	Balance at 31 Dec
Intangible assets	1,009	27	-	-	-	1,036
Share-based compensation	4	9	-	-	-	13
Pension defined benefits plans	19	9	(6)	-	1	23
Inventory	1	23	-	-	-	24
Leasing	-	1	-	-	-	1
Total deferred tax assets	**1,033**	**69**	**(6)**	**-**	**1**	**1,097**
Set-off of deferred tax assets	-					(145)
Net deferred tax assets	**1,033**					**952**
Financial debts	-	(95)	-	1,187	2	1,094
Total deferred tax liabilities	**-**	**(95)**	**-**	**1,187**	**2**	**1,094**
Set-off of deferred tax liabilities	-					(145)
Net deferred tax liabilities	**-**					**949**

10.4 Tax loss carry-forward

in thousands of EUR	Gross value		Potential tax benefits	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Tax loss carry-forward capitalized	-	-	-	-
Expiring in				
4th to 5th year	31	16	4	2
6th to 7th year	1,547	687	186	82
Unlimited	13,517	3,864	2,947	1,353
Tax loss carry-forward not capitalized	**15,095**	**4,567**	**3,136**	**1,437**
Total tax loss carry-forward	**15,095**	**4,567**	**3,136**	**1,437**

The tax loss carry-forward not capitalized refers to the losses in the Liechtenstein, the Malta entities as well as to the losses within the Swiss Companies. Losses carry forward in Liechtenstein and Malta could – according to local carry forward rules – be utilized for an unlimited time. Losses carry forward in Switzerland can be utilized up to seven years following the realization of the respective tax loss for corporate income tax purposes.

NOTE 11 Cash and cash equivalents

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Cash on hand	1	1	40
Cash at bank	97,510	33	35
Cash and cash equivalents	**97,511**	**34**	**75**

NOTE 12 Other current receivables

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Other current receivables due from parent company	-	1,068	179
VAT and other tax receivables	96	8	17
Prepaid expenses	211	174	228
Total other current receivables	**307**	**1,250**	**424**

NOTE 13 Inventories

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Semi-finished goods	124	98	40
Finished goods	58	160	112
Total inventories	**182**	**258**	**152**

NOTE 14 Property, plant and equipment

	Jan to Dec 2020			
in thousands of EUR	Furniture	IT Hardware reserves	Vehicles & Tools	Total
At cost				
Balance at 31 Dec 2019	54	106	26	186
Additions	12	15	4	31
Balance at 31 Dec 2020	**66**	**121**	**30**	**217**
Accumulated depreciation				
Balance at 31 Dec 2019	(18)	(60)	(12)	(90)
Depreciation charge for the period	(8)	(22)	(7)	(37)
Balance at 31 Dec 2020	**(26)**	**(82)**	**(19)**	**(127)**
Net carrying amount				
Balance at 31 Dec 2019	36	46	14	96
Balance at 31 Dec 2020	**40**	**39**	**11**	**90**

	Jan to Dec 2019			
in thousands of EUR	Furniture	IT Hardware reserves	Vehicles & Tools	Total
At cost				
Balance at 31 Dec 2019	52	100	22	174
Additions	-	4	4	8
Translation differences	2	2	-	4
Balance at 31 Dec 2020	**54**	**106**	**26**	**186**
Accumulated depreciation				
Balance at 31 Dec 2019	(11)	(38)	(7)	(56)
Depreciation charge for the period	(7)	(20)	(5)	(32)
Translation difference	-	(2)	-	(2)
Balance at 31 Dec 2020	**(18)**	**(60)**	**(12)**	**(90)**
Net carrying amount				
Balance at 31 Dec 2019	41	62	15	118
Balance at 31 Dec 2020	**36**	**46**	**14**	**96**

NOTE 15 Leases

15.1 Right-of-use assets

The Company leases two buildings in Switzerland and Malta.

	Jan to Dec	
in thousands of EUR	2020	2019
At cost		
Balance at 1 January	**236**	**230**
Additions	188	-
Derecognitions	(170)	-
Translation differences	-	6
Balance at 31 December	**254**	**236**
Accumulated depreciation		
Balance at 1 January	**(109)**	**-**
Depreciation charge for the period	(119)	(107)
Derecognitions	171	-
Translation differences	-	(2)
Balance at 31 December	**(57)**	**(109)**
Net carrying amount		
Balance at 1 January	**127**	**230**
Balance at 31 December	**197**	**127**

15.2 Lease liabilities

	Jan to Dec	
in thousands of EUR	2020	2019
Balance at 1 January	**130**	**230**
Lease payments	(114)	(109)
Additions	188	-
Accrued interest	3	5
Revaluation	(8)	-
Translation differences	-	4
Balance at 31 December	**199**	**130**
thereof included in other current liabilities	113	95
thereof included in other non-current liabilities	86	35

The lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the inception of the lease. The weighted average incremental borrowing rate applied as at 31 December 2020 is 2.52% (2019: 2.76%).

15.3 Amounts recognised in profit or loss and total cash outflows

	Jan to Dec	
in thousands of EUR	2020	2019
Depreciation of right-of-use assets	119	107
Interest on lease liabilities	3	5
Expense relating to short-term leases	4	-
Total amount recognised in profit or loss	**126**	**112**

The Group had total cash outflows for leases of EUR 118 thousand during the year ended 31 December 2020 (2019: EUR 109 thousand).

NOTE 16 Intangible assets

The intangible assets consist of two categories including software and development cost for medical devices. Software is amortised over its useful life. RefluxStop™ became available for use in 2019 and therefore the amortisation over its useful life started in 2019. All other products are not yet available for use and therefore not amortised but tested for impairment annually. Amortisation will only commence upon market launch.

in thousands of EUR	Development cost	Software	Total
At cost			
Balance at 31 December 2019	**18,042**	**183**	**18,225**
Additions	1,718	-	1,718
Translation differences	-	-	-
Balance at 31 December 2020	**19,760**	**183**	**19,943**
Accumulated depreciation			
Balance at 31 December 2019	**(1,227)**	**(87)**	**(1,314)**
Amortisation charge for the period	(1,227)	(61)	(1,288)
Translation differences	-	-	-
Balance at 31 December 2020	**(2,454)**	**(148)**	**(2,602)**
Net carrying amount			
Balance at 31 December 2019	**16,815**	**96**	**16,911**
Balance at 31 December 2020	**17,306**	**35**	**17,341**
Balance at 1 January 2019	16,049	147	16,196
Additions	1,993	29	2,022
Translation differences	-	7	7
Balance at 31 December 2019	**18,042**	**183**	**18,225**
Accumulated depreciation			
Balance at 1 January 2019	**-**	**(27)**	**(27)**
Amortisation charge for the period	(1,227)	(57)	(1,284)
Translation differences	-	(3)	(3)
Balance at 31 December 2019	**(1,227)**	**(87)**	**(1,314)**
Net carrying amount			
Balance at 1 January 2019	**16,049**	**120**	**16,169**
Balance at 31 December 2019	**16,815**	**96**	**16,911**

Allocation of development cost to specific products:

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
RefluxStop™	9,816	11,043	12,325
Other products not yet available for use	7,490	5,772	3,724
Total development costs	**17,306**	**16,815**	**16,049**

The annual impairment test is performed by comparing the carrying value of each cash-generating unit (CGU) containing development cost of products not yet available for use with their recoverable amount. For the 31 December 2020 year-end financial statements, the Group has also performed an impairment test for RefluxStop™ due to the increased uncertainty in connection with the COVID-19 pandemic (Note 2).

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 commercialisation 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 considering the development status of each product. The applied (post-tax) weighted average cost of capital (WACC) is 6.80%, which has been derived by using market data from peer group companies. The terminal growth rate is assumed to be 1%. The value in use derived in the annual impairment test for the year ended 31 December 2020 exceeds the respective book value for all CGUs and therefore no impairment was recognised.

NOTE 17 Financial liabilities

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Implantica AG incorporation liability due to parent company (Note 3.5)	-	2,286	2,201
Lease liabilities (Note 15.2)	113	95	100
Other financial liabilities	-	202	-
Total current financial liabilities	**113**	**2,583**	**2,301**
Lease liabilities (Note 15.2)	86	35	130
Other financial liabilities	-	-	196
Total non-current financial liabilities	**86**	**35**	**326**
Financial debts due to founder (ultimate main shareholder)	-	2,172	-
Total financial liabilities due to ultimate main shareholder	**-**	**2,172**	**-**

	Jan to Dec 2020				
in thousands of EUR	Incorporation liability	Bridge loan	Financial debts	Other	Total
At amortized cost					
Balance at 31 December 2019	**2,286**	**-**	**2,172**	**202**	**4,660**
Cash flow effective					
Proceeds	-	5,552	-	158	5,710
Repayments	-	(6,371)	(5,698)	(365)	(12,434)
Total cash flow effective	**-**	**(819)**	**(5,698)**	**(207)**	**(6,724)**
Non-cash flow effective					
Accrued interest	-	-	-	7	7
Netting agreement with shareholder	(2,331)	835	-	-	(1,496)
Capital distribution on shareholder loan	-	-	2,982	-	2,982
Unwinding effective interest	-	-	541	-	541
Translation differences	45	(16)	3	(2)	30
Total non-cash flow effective	**(2,286)**	**819**	**3,526**	**5**	**2,064**
Balance at 31 December 2020	**-**	**-**	**-**	**-**	**-**

	Jan to Dec 2019				
	Incorporation liability	Bridge loan	Financial debts	Other	Total
At amortized cost					
Balance at 1 January 2019	**2,201**	**-**	**-**	**196**	**2,397**
Cash flow effective					
Proceeds	-	-	5,675	-	5,675
Total cash flow effective	**-**	**-**	**5,675**	**-**	**5,675**
Non-cash flow effective					
Accrued interest	-	-	-	9	9
Capital contribution on shareholder loan	-	-	(3,818)	-	(3,818)
Unwinding effective interest	-	-	310	-	310
Translation differences	85	-	5	(3)	87
Total non-cash flow effective	**85**	**-**	**(3,503)**	**6**	**(3,412)**
Balance at 31 December 2019	**2,286**	**-**	**2,172**	**202**	**4,660**

Implantica AG incorporation liability
The incorporation liability arose during the incorporation of the company (Note 3.5) 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.

Bridge loan
The bridge loan due to the ultimate main shareholder (Dr. Peter Forsell) are funds provided to finance the operations of the Group, 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.

Financial debts
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 3,818 thousand is reflected as a capital contribution for the year ended 31 December 2019. An amount of EUR 2,631 thousand (net of tax EUR 1,187 thousand) was therefore recognised in capital reserves.

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 (Note 3.4). An amount of EUR 2,056 thousand (net of tax EUR 926 thousand) was therefore derecognised from capital reserves as at 29 September 2020.

Other financial liabilities
The other financial liabilities comprised liabilities due to a service provider and banks. The liabilities due to a service provider were due at an interest rate of 5% in 2020. The liabilities due to a bank comprised an interest free loan guaranteed by the Swiss government expected to be repaid within 12 months after balance sheet date. All other financial liabilities were fully repaid after the listing in September 2020.

NOTE 18 Other current liabilities

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Liabilities due to related parties	16	8	-
Accounts payable	1,119	1,952	1,631
VAT and other tax payables	46	60	5
Accrued expenses	237	131	224
Other current liabilities	4	90	158
Total other current liabilities	**1,422**	**2,241**	**2,018**

NOTE 19 Equity

19.1 Share capital
The fully paid in share capital of the Group amounts to CHF 128,923 thousand (EUR 120,187 thousand) and is divided into 53,211,537 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).

The number of shares changed as follows:

	Jan to Dec			
	2020	2019	2020	2019
in number of shares	Class A shares		Class B shares	
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	-	-	-
Overallotment option	2,538,461	-	-	-
In issue at 31 December	**53,211,537**	**-**	**56,250,000**	**-**

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 3.5).

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.

Authorized capital
The Board of Directors is authorised to increase the share capital at any time before 1 March 2025 by a maximum amount of CHF 6,077 thousand by issuing a maximum number of 3,038,463 fully paid in Class A shares with a nominal value of CHF 2.00 each. Increases of the share capital in partial amounts is permitted.

Conditional capital for financing purposes
The share capital may be increased by a maximum amount of CHF 13,500 thousand by issuing a maximum number of 6,750,000 fully paid in Class A shares with a nominal value of CHF 2.00 each upon exercise conversion rights or options in relation with convertible debt instruments, loans and similar forms of financing the Group. The conditions for granting the option and conversion rights shall be determined by the Board of Directors.

Conditional capital for employee share option plans
The share capital may be increased by a maximum amount of CHF 2,700,000 by issuing a maximum number of 1,350,000 fully paid in Class A shares with a nominal value of CHF 2.00 each upon exercise of employee share options issued to employees (Note 21).

19.2 Capital reserves
Listing
The difference of EUR 79,819 thousand between the gross proceeds of EUR 119,325 thousand less transaction costs of EUR 3,392 thousand attributable to newly issued shares and the nominal amount of EUR 36,114 thousand is recognised in capital reserves. Transaction costs of EUR 3,920 thousand attributable to the listing of existing Class A shares are recognised in profit or loss.

Interest free shareholder loan
During 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 in 2020 (Note 17).

NOTE 20 Earnings per share

	Jan to Dec	
in thousands of EUR	2020	2019
Loss for the period attributable to owners of the Company	**(10,277)**	**(4,805)**
Weighted average % of Class A share capital in total share capital	76.9%	75.0%
Weighted average % of Class B share capital in total share capital	23.1%	25.0%
Class A shares		
Loss for the period attributable to Class A shareholders	(7,905)	(3,604)
Weighted average number of outstanding Class A shares	38,583,509	33,750,000
Basic and diluted (loss) per share Class A (in EUR)	**(0.20)**	**(0.11)**
Class B shares		
Loss for the period attributable to Class B shareholders	(2,372)	(1,201)
Weighted average number of Class B shares	56,250,000	56,250,000
Basic and diluted (loss) per share Class B (in EUR)	**(0.04)**	**(0.02)**

Earnings per category of shares
Earnings per class of shares (Note 19) 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 (Note 21) was not considered in the diluted earnings per share calculation for Class A shares for the year ended 31 December 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 re-organisation
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 re-organisations (Note 3.5).

NOTE 21 Share-based compensation

The Group has committed to equity settled share-based compensation plans to members of the Board of Directors and employees who distinguished themselves by a particular strong commitment to the Group.

The share option plans of existing employees granted on 1 February 2020, 1 January 2019 and 1 January 2018 were modified effective 7 February 2020 by transferring the obligation to issue shares to the employees from the parent company of the Group, Implantica MediSwiss AG, to the Company. There was no incremental value granted to these employees.

The total share-based payment expense recognised by the company is as follows:

	Jan to Dec	
in thousands of EUR	2020	2019
Share option programs settled by the parent company of Implantica AG	(280)	357
Share option programs settled by Implantica AG[1)]	429	76
Total share-based payment expense (income)	**149**	**433**

1) The charges for modified share option plans prior to the modification effective 7 February 2020 are included in "Share option programs settled by Implantica AG" in order to allow for comparability.

21.1 Share option programs settled by the parent company of the Group

In May 2017 and January 2018, the Group granted a total of 101'700 share options to a member of the Executive Management with the right to convert these to Class A shares of the parent company of the Group, Implantica MediSwiss AG (the settling entity). For the year ended 31 December 2020 an income of EUR 280 thousand was recognised for forfeited share options.

21.2 Share option programs settled by Implantica AG

Grant date	Number of share options	Vesting conditions	Contractual life of options	Fair value at grant date
Members of the BoD				
1 Apr 2020	36,175	5 years' service from grant date (annual vesting of 7,235 share options)	Expire on 1 Apr 2025	CHF 6.30
Executive management				
1 Feb 2020[1),2)]	75,000	5 years' service from grant date (annual vesting of 15,000 share options)	Expire on 1 Feb 2025	CHF 6.30
1 Feb 2020[1),2)]	7,625	Successful initial public offering (IPO) during service period	Expire on 31 Dec 2023	CHF 6.30
31 Jul 2020	4,125	4 years' service from grant date (annual vesting of 825 share options)	Expire on 1 Feb 2025	CHF 6.30
31 Jul 2020	419	Successful initial public offering (IPO) during service period	Expire on 31 Dec 2023	CHF 6.30
Other employees				
1 Jan 2018[1),2)]	8,750	5 years' service from grant date (annual vesting of 1,750 share options)	Expire on 1 Mar 2023	CHF 8.62
1 Jan 2019[1),2)]	29,000	5 years' service from grant date (annual vesting of 5,800 share options)	Expire on 31 Jan 2025	CHF 5.00
31 Jul 2020	9,634	0 to 4 years' service from grant date (annual vesting of 1,946 share options)	3 to 5 years after grant date	CHF 6.30
31 Jul 2020	4,247	Successful initial public offering (IPO) during service period	1 to 2 years after grant date	CHF 6.30
Total share options	**174,975**			

[1)] *Settling entity changed from Implantica MediSwiss AG to Implantica AG effective 7 February 2020 (refer to the beginning of this note).*
[2)] *Contractual life of share options reduced effective 31 July 2020 (refer to below).*

The key terms and conditions related to these grants are as follows:

- all options are settled by delivery of fully paid in Class A Implantica AG shares
- the shares are delivered free of charge (i.e. exercise price CHF 0)

All of the above Class A share options are outstanding as at 31 December 2020, of which 54,284 are exercisable.

Reduction of contractual life of options
The exercise period of 120,375 existing share options was reduced from "4 to 7 years after vesting date" to "4 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.

Measurement of fair values
All equity-settled transactions are measured at fair value at grant date and recognised as expense over the vesting period. For the estimated fair value calculation at grant date for all instruments listed above an expected dividend, a risk-free interest rate and an exercise price of zero was used.

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 number of share options outstanding and the estimated fair value at grant date are adjusted in order to reflect the new equity structure of the Company.

NOTE 22 Retirement benefit assets and liabilities

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.

Although, 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 the 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.

As the pension plan qualifies as a defined benefit plan under IAS 19, the Group engaged an independent actuary to prepare the actuarial measurements required for financial reporting purposes. The actuarial measurement method calculates the liabilities based on the projected unit credit method whereas the plan assets are measured at fair value.

22.1 Amounts recognised in statement of financial position

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Defined benefit obligation	647	2,738	2,548
Fair value of plan (assets)	(539)	(2,574)	(2,417)
Net defined benefit obligation	**108**	**164**	**131**

The expected employer contributions to the defined benefit plan within the next 12 months from is EUR 24 thousand (2019: EUR 23 thousand). The weighted average duration of the defined benefit plan obligation as of 31 December 2020 is 18.9 years (2019: 20.0 years).

22.2 Amounts recognised in profit or loss

	Jan to Dec	
in thousands of EUR	2020	2019
Current service cost	69	89
Interest expense on defined benefit obligation	9	21
Interest (income) on plan assets	(9)	(20)
Administration cost excl. cost for managing plan assets	2	2
Total expense of defined benefit plans recognised in profit or loss	**71**	**92**
thereof service cost and administration cost	70	91
thereof net interest on the net defined benefit liability (asset)	1	1

22.3 Amounts recognised in other comprehensive income

	Jan to Dec	
in thousands of EUR	2020	2019
Actuarial (gain)/loss from:		
Changes in financial assumptions	11	31
Experience adjustments to defined benefit obligation	(85)	(58)
Total actuarial (gain)/loss	**(74)**	**(27)**
Return on plan assets (excluding amount recognised in profit or loss)	(64)	(19)
Others	32	1
Total expense (income) of defined benefit plans recognised in other comprehensive income	**(106)**	**(45)**

22.4 Changes in the present value of the defined benefit obligations

	Jan to Dec	
in thousands of EUR	2020	2019
Defined benefit obligation at 1 January	**2,738**	**2,548**
Interest expense on defined benefit obligation	9	21
Current service cost	69	89
Contributions by plan participants	23	18
Benefits (paid) / deposited	(2,271)	(13)
Administration cost (excl. cost for managing plan assets)	2	2
Actuarial (gain) / loss	(74)	(27)
Others	119	(1)
Translation differences	32	101
Defined benefit obligation at 31 December	**647**	**2,738**

22.5 Changes in the fair value of plan assets

	Jan to Dec	
in thousands of EUR	2020	2019
Fair value of plan assets at 1 January	**2,574**	**2,417**
Interest income on plan assets	9	20
Contributions by the employer	23	18
Contributions by plan participants	23	18
Benefits (paid) / deposited	(2,271)	(13)
Return on plan assets excl. interest income	64	19
Others	87	-
Translation differences	30	95
Fair value of plan assets at 31 December	**539**	**2,574**

The insurance company bearing the investment risk is also making these investments on behalf of the foundation. As a result, the assets of the Swiss plan consist of a receivable from the insurance policy.

22.6 Key actuarial assumptions

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Discount rate	0.20%	0.30%	0.80%
Interest rate on retirement savings capital	0.50%	0.50%	0.80%
Expected rate of salary increases	0.50%	0.50%	0.50%
Mortality tables used	BVG2015 GT	BVG2015 GT	BVG2015 GT

22.7 Sensitivity analysis

Changes of significant assumptions would have the following impact on the defined benefit obligation:

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Discount rate decrease by 25 bps	31	22	17
Discount rate increase by 25 bps	(30)	(20)	(16)
Expected rate of salary increases by 25 bps	(2)	(1)	(1)
Expected rate of salary decreases by 25 bps	-	2	1
Life expectancy increase by 1 year	8	6	4
Life expectancy decrease by 1 year	(9)	(6)	(4)

NOTE 23 List of consolidated subsidiaries

Registered name	Country of incorporation	Principal activities[1]	Share capital in thousand	31 Dec 2020	31 Dec 2019	1 Jan 2019
				Ownership and voting rights		
Implantica Group Holding Ltd.	Malta	Holding	EUR 790,000	100%	100%	100%
Implantica CE Reflux Ltd.	Malta	R&D	EUR 1.2	100%	100%	100%
Implantica CE UriControl Ltd[2]	Malta	R&D	EUR 1.2	100%	n/a	n/a
Implantica Marketing Ltd	Malta	D&M	EUR 1.2	100%	100%	100%
Implantica Patent Ltd.	Malta	Patent	EUR 1.2	100%	100%	100%
Implantica Management AG	Switzerland	Management	CHF 100	100%	100%	100%
Implantica Trading AG	Switzerland	D&M	CHF 100	100%	100%	100%

[1] R&D = Research and development; D&M = Distribution and marketing.
[2] The Group incorporated in September 2020 the new research and development subsidiary Implantica CE UriControl Ltd in Malta.

NOTE 24 Related parties

24.1 Transactions and balances

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Other current receivables due from parent company	-	1,068	179
Other current liabilities due to companies controlled by members of the BoD	-	(8)	-
Other current liabilities due to members of the BoD	(16)	-	-
Implantica AG incorporation liability due to parent company (Note 17)	-	(2,286)	(2,201)
Financial debts due to founder (ultimate main shareholder) (Note 17)	-	(2,172)	-
Total net related parties (liabilities)	**(16)**	**(3,398)**	**(2,022)**

Other current receivables due from parent company relate to management services provided and current account receivables. The management services provided amounted to EUR 0 for the year ended 31 December 2020 (2019: EUR 772 thousand).

Other current liabilities due to companies controlled by members of the Board of Directors (BoD) relate to legal counselling as well as to administrative work in relation to the development activities of the Group. The services purchased from related parties amounted to EUR 78 thousand for the year ended 31 December 2020 (2019: EUR 11 thousand).

24.2 Key management compensation

	Jan to Dec	
in thousands of EUR	2020	2019
Short-term employee benefits	66	-
Share-based compensation	79	-
Total compensation to members of the Board of Directors (BoD)	**145**	**-**
Short-term employee benefits	455	310
Share-based compensation	58	600
Total compensation to members of the Group Executive Board	**513**	**910**
Total compensation to members of the BoD and the Group Executive Board	**658**	**910**

NOTE 25 Financial risk management

25.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash equivalents.

The Group mitigates the credit risk by assessing the credit risk of counter parties for material transactions.

The carrying amounts of cash at bank and other financial assets (excluding prepaid expenses and tax balances) exposed to credit risk:

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Cash at bank	97,510	33	35
Accounts receivable	23	47	19
Other current receivables	-	1,068	179
Total carrying amount of financial assets	**97,533**	**1,148**	**233**

The Standard & Poor's credit rating of the counterparties is as follows:

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
A+	97,509	5	7
Without rating	24	1,143	226
Total carrying amount of financial assets	**97,533**	**1,148**	**233**

25.2 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, without incurring unacceptable losses or risking damage to the Group's reputation. The expected cash outflows of the Group's financial liabilities is outlined in the following tables.

	As at 31 Dec 2020			
	Maturities			
in thousands of EUR	Up to 1 year	From 1 to 2 years	From 2 to 3 years	Carrying amount
Trade accounts payable	4	-	-	4
Other current liabilities	1,139	-	-	1,139
Lease liabilities	114	90	-	199
Total financial liabilities	**1,257**	**90**	**-**	**1,342**

	As at 31 Dec 2019			
	Maturities			
in thousands of EUR	Up to 1 year	From 1 to 2 years	From 2 to 3 years	Carrying amount
Trade accounts payable	2	-	-	2
Other current liabilities	2,050	-	-	2,050
Lease liabilities	2,286	-	-	2,286
Current account due to founder	99	18	18	130
Financial debts due to founder	-	-	5,700	2,172
Other financial liabilities	202	-	-	202
Total financial liabilities	**4,639**	**18**	**5,718**	**6,842**

As of 1 January 2019, the contractual maturities of the Group's financial liabilities fell within two years. The contractual cash flows did not materially deviate from the carrying amounts.

25.3 Market risk

Foreign exchange risk

The following exposure to foreign currency risks existed as of 31 December 2020 and 2019 in relation to financial instruments:

31 Dec 2020					
in thousands of EUR	EUR	CHF	SEK	Other	Total
Financial assets					
Cash at bank	2	12	17,278	2	17,294
Accounts receivables	-	23	-	-	23
Total financial assets	**2**	**35**	**17,278**	**2**	**17,317**
Financial liabilities					
Other current liabilities	1	114	299	59	473
Total financial liabilities	**1**	**114**	**299**	**59**	**473**

31 Dec 2019					
in thousands of EUR	EUR	CHF	SEK	Other	Total
Financial assets					
Cash at bank	-	4	-	1	5
Accounts receivables	-	47	-	-	47
Total financial assets	**-**	**51**	**-**	**1**	**52**
Financial liabilities					
Financial liabilities	575	-	202	-	777
Other current liabilities	53	142	857	301	1,353
Total financial liabilities	**628**	**142**	**1,059**	**301**	**2,130**

The following sensitivity analysis presents the profit or loss impact of a reasonably possible change of foreign exchange rates used for the measurement of financial instruments denominated in a foreign currency. This analysis assumes that all other variables, in particular the interest rate level, remain constant.

	Jan to Dec	
in thousands of EUR	2020	2019
CHF (strengthening by 5%)	(4)	28
CHF (weakening by 5%)	4	(26)
SEK (strengthening by 5%)	894	(56)
SEK (weakening by 5%)	(809)	50

Interest rate risk

The Group is exposed to negative interest rates charged on cash at bank. An increase of the negative interest rate by 50 basis points would have increased the interest expense for the year ended 31 December 2020 by EUR 122 thousand.

25.4 Capital management

The directors aim to maintain a strong capital base 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.

25.5 Financial assets and financial liabilities

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

in thousands of EUR	31 Dec 2020	31 Dec 2019	01 Jan 2019
Financial assets measured at amortised cost			
Cash at bank	97,510	33	35
Accounts receivables	23	47	19
Other current receivables	-	1,068	179
Total financial assets	**97,533**	**1,148**	**233**
Financial liabilities measured at amortised cost			
Trade accounts payable	4	2	136
Financial liabilities	199	4,790	2,627
Other current liabilities	1,139	2,050	1,789
Total financial liabilities	**1,342**	**6,842**	**4,552**

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 31 December 2020, 31 December 2019 and 1 January 2019 the carrying amounts of financial assets and liabilities equal its fair values based on their nature and maturity or due date.

The Group has no financial assets or liabilities valued fair value other than those quoted or with prices in active market. Therefore, no other techniques have been applied by the Group. The company has no financial assets or liabilities that are measured at fair value through profit and loss or at fair value through other comprehensive income.

Independent Auditor's Report

To the Board of Directors on the Consolidated Financial of Implantica AG, Vaduz

Opinion

We have audited the consolidated financial statements of Implantica AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, 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 consolidated financial statements (pages 44 to 60) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 Ordinance on the Liechtenstein Persons and Companies Act (PGR-VO).

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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

Key Audit Matters

Valuation of Capitalized Development Costs

Capital re-organisation

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG (Liechtenstein) AG, Aeulestrasse 2, LI-9490 Vaduz

Valuation of Capitalized Development Costs

Key Audit Matter

Capitalized development costs amounted to EUR 17.3 million as of 31 December 2020, and include costs of both on-going and completed product developments. An impairment assessment is carried out for all development costs when there is any indication of possible impairment, with capitalized costs related to on-going product developments being tested for impairment at least annually. The impairment assessment requires management to make key assumptions such as forecasts of cash flows, growth rates and discount rates.

The COVID-19 pandemic is likely to have a negative impact on the pace the Group can develop its operations in the near term due to non-emergency surgeries being delayed and challenges for sales representatives to contact hospital staff. Accordingly, management has to consider these implications in their assessment.

Our response

Our audit procedures included, among others, challenging the reasonableness of key assumptions made by management, including forecasts of cash flows, growth rates and discount rates. We compared management's assumptions with external data where it was available and performed retrospective reviews to assess the accuracy of previous projections. We also interviewed senior management in order to understand and challenge the key assumptions. We used our valuation specialists to assist us in evaluating certain assumptions including discount rates and in testing the arithmetic accuracy of the valuation model. They also supported us in performing sensitivity analysis to assess the level of sensitivity to certain key assumptions, so that we could particularly focus on those areas and assess management's allowance for risk.

For further information on capitalized development costs refer to the following:

- Note 2 Impact of the COVID-19 pandemic
- Note 3.4 Critical accounting estimates and judgements
- Note 5.7 General accounting policies
- Note 16 Intangible assets

Capital re-organisation

Key Audit Matter

In September 2020 Implantica AG was admitted to trading on the Nasdaq First North Premier Growth Market in Stockholm in connection with the issuance of new shares. As part of the preparation of the listing a capital re-organisation took place and Implantica AG was incorporated as a new holding company on 7 February 2020. This capital re-organisation consisted in the Company's controlling shareholder Implantica MediSwiss AG contributing its subsidiaries to Implantica AG. 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 at that date.

The capital re-organisation is a significant aspect of the consolidated financial statements of the year ended 31 December 2020. There is a risk that the respective transactions are not appropriately reflected in the consolidated financial statements.

Our response

We performed procedures to assess the appropriateness of the accounting of the capital re-organisation and the presentation in the consolidated financial statements. Among others, our procedures included analysing the related contribution in kind agreement, amendments to share option program agreements, and the expert report related to the contribution in kind. We assessed the ownership structure before and after the capital re-organisation. Furthermore, we evaluated the appropriateness of the disclosures related to the capital re-organisation.

For further information on the capital re-organisation refer to:

- Note 3.5 Capital re-organisation

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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-VO. 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.

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 or its relevant committee 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG (Liechtenstein) AG

Lars Klossack
Chartered Accountant

Benjamin Marte
Chartered Accountant

Vaduz, 23 March 2021

Implantica AG (Parent Company)

FINANCIAL STATEMENTS

Balance sheet

in CHF	Note	31 December 2020
Assets		
A. Non-current assets		
I. Financial assets		
1. Shares in affiliated companies	3	227,480,274
2. Loans to affiliated companies		69,516,336
Total financial assets		**296,996,610**
Total non-current assets		**296,996,610**
B. Current assets		
I Receivables		
1. Receivables from affiliated companies		395,624
2. Other receivables		76,866
Total receivables		**472,490**
II. Cash at bank		48,211,612
Total current assets		**48,684,102**
C. Prepaid expenses and accrued income		**42,072**
Total assets		**345,722,784**
Equity and Liabilities		
A. Equity		
I. Share capital	4.1	128,923,074
II. Capital reserves	4.2	224,494,982
III. Loss for the period	4.3	-7,980,573
Total equity		**345,437,483**
B. Provisions		
1. Tax provisions		1,800
Total provisions		**1,800**
C. Payables		
1. Trade accounts payable		199,110
2. Other payables		3,477
Total payables		**202,587**
(of which with a remaining term < 1 year)		*202,587*
D. Accrued expenses		**80,914**
Total equity and liabilities		**345,722,784**

Income statement

in CHF	Note	07.02.2020 – 31.12.2020
1. Other operating income	5	1,174,970
2. Personnel expenses		
a) Wages and salaries		-37,021
b) Social security and pension expenses		-8,924
(thereof pension expenses)		(-3,366)
3. Other operating expenses	6	-9'376'134
4. Interest income from affiliated companies		268,336
5. Loss before taxes		**-7,978,773**
6. Income taxes		-1,800
7. Loss for the period		**-7,980,573**

Notes to the Financial Statements

NOTE 1 General information

Implantica AG (the "Company") is domiciled in Landstrasse 1, 9490 Vaduz, Liechtenstein.

The Company was admitted to trading on the Nasdaq First North Premier Growth Market in Stockholm in September 2020. As part of the preparation of this initial public offering ("IPO") a capital re-organization took place and Implantica AG was incorporated on 7 February 2020. This capital re-organisation consisted in the Company's controlling shareholder, Implantica MediSwiss AG, to tranfer its Maltese investment in Implantica Group Holding Limited at a transfer price of CHF 227,411,274. The controlling shareholder received 100% of all shares in the Company and CHF 2,411,274 in cash.

NOTE 2 Summary of significant accounting policies

2.1 Basis of preparation
The financial statements have been prepared in accordance with the provisions of the Liechtenstein Persons and Companies Act ("PGR").

2.2 Foreign currency
Monetary current assets and liabilities denominated in foreign currencies are translated into CHF at the exchange rate at the balance sheet date. Monetary non-current assets in foreign currencies are measured at the exchange rate at the date of the transaction or at the exchange rate at the balance sheet date if lower.

2.3 Financial assets
In accordance with the principle of individual valuation, shares in afffilated companies and loans to affiliated companies are carried at cost. In the case of permanent impairment an impairment loss based on the estimated fair value is recognized. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the acquisition cost.

2.4 Receivables and cash at bank
These are generally carried at nominal value. For general credit risks appropriate valuation allowances are recognized.

NOTE 3 Investments in subsidiaries

The Company directly holds the following investments:

Company	Country	Share in capital and voting rights	Carrying amount at 31 December 2020
Implantica Group Holding Limited	Malta	100%	227,411,274
Implantica Management AG	Switzerland	100%	69,000
			227,480,274

NOTE 4 Equity

4.1 Share capital
At 31 December 2020 the share capital amounts to CHF 128,923,074 and is divided into 52,211,537 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).'

The number of shares changed as follows:

in number of shares	Class A shares	Class B shares
In issue at 1 January 2020	-	-
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	-
Overallotment option	2,538,461	-
In issue at 31 December 2020	**53,211,537**	**56,250,000**

Issued for contribution in kind
On 7 February 2020 Implantica MediSwiss AG incorporated the Company by contributing Implantica Group Holding Limited, Malta.

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.

Authorized capital
The Board of Directors is authorised to increase the share capital at any time before 1 March 2025 by a maximum amount of CHF 6,077 thousand by issuing a maximum number of 3,038,463 fully paid in Class A shares with a nominal value of CHF 2.00 each. Increases of the share capital in partial amounts is permitted.

Conditional capital for financing purposes
The share capital may be increased by a maximum amount of CHF 13,500,000 by issuing a maximum number of 6,750,000 fully paid in Class A shares with a nominal value of CHF 2.00 each upon exercise conversion rights or options in relation with convertible debt instruments, loans and similar forms of financing the Company. The conditions for granting the option and conversion rights shall be determined by the Board of Directors.

Conditional capital for employee share option plans
The share capital may be increased by a maximum amount of CHF 2,700,000 by issuing a maximum number of 1,350,000 fully paid in Class A shares with a nominal value of CHF 2.00 each upon exercise of employee share options issued to employees.

4.2 Capital reserves
Capital reserves comprise the premium from the contribution in kind and the IPO.

4.3 Proposed appropriation of available earnings
The Board of Directors proposes to carry forward the loss for the period to the next financial year.

NOTE 5 Other operating income

Other operating income comprises mainly foreign exchange differences on cash at bank.

NOTE 6 Other operating expenses

in CHF	07.02.2020–31.12.2020
IPO related costs	-7,915,948
Management fees	-957,638
Foreign exchanges losses	-30,569
Miscellaneous	-471,979
Total other operating expenses	**-9,376,134**

Statutory Auditor's Report

To the General Meeting of Implantica AG, Vaduz

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Implantica AG (the Company), which comprise the balance sheet as at 31 December 2020, the income statement for the period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 65 to 67) give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance for the period then ended in accordance with Liechtenstein law.

Basis for Opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

Key Audit Matters

Capital re-organisation

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG (Liechtenstein) AG, Aeulestrasse 2, LI-9490 Vaduz

Capital re-organisation

Key Audit Matter

In September 2020 Implantica AG was admitted to trading on Nasdaq First North Premier Growth Market in Stockholm in connection with the issuance of new shares. As part of the preparation of the listing a capital re-organisation took place and Implantica AG was incorporated on 7 February 2020. This capital re-organisation consisted in the Company's controlling shareholder Implantica MediSwiss AG contributing its investment in Implantica Group Holding Limited, Malta, to Implantica AG.

The accounting of the related transaction is a significant aspect of the financial statements of the Company for the year ended 31 December 2020. There is a risk that the transaction is not accurately reflected in the financial statements.

Our response

Among others, our procedures included considering the appropriateness of the accounting of the capital re-organisation. We analysed the contribution in kind agreement and the related expert report. We furthermore evaluated the appropriateness of the disclosures related to the capital re-organisation.

For further information on the capital re-organisation refer to:

— Note 1 General information

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with Liechtenstein law. 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the Board of Directors or its relevant committee 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We further confirm that the proposed appropriation of available earnings complies with Liechtenstein law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG (Liechtenstein) AG

Lars Klossack
Chartered Accountant
Auditor in Charge

Benjamin Marte
Chartered Accountant

Vaduz, 23 March 2021

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Implantica AG
Landstrasse 1
9490 Vaduz
Liechtenstein

www.implantica.com

Contact:
Nicole Pehrsson, *VP Operations & Investor Relations*
Telephone: +41 (0)79 335 09 49
E-mail: nicole.pehrsson@implantica.com

Peter Forsell, *CEO*
Telephone: +41 (0)41 539 19 02 (switchboard)
E-mail: peter.forsell@implantica.com

Andreas Öhrnberg, *CFO*
Telephone: +41 (0)41 539 19 02 (switchboard)
E-mail: andreas.oehrnberg@implantica.com