Q2

Implantica

INTERIM REPORT APR – JUN 2021

FINANCIAL SUMMARY

Figures within parentheses refer to the preceding year.

Second quarter

- Net sales amounted to TEUR 115 (76).
- Operating loss (EBIT) increased to TEUR 2,968 (1,103).
- Loss after tax amounted to TEUR 2,875 (1,144).
- Basic and diluted loss per Class A share amounted to EUR 0.04 (0.03).
- Liquid funds as at the end of the period amounted to MEUR 147

First six months

- Net sales amounted to TEUR 197 (99).
- Operating loss (EBIT) increased to TEUR 5,247 (2,500).
- Loss after tax amounted to TEUR 4,841 (2,396).
- Basic and diluted loss per Class A share amounted to EUR 0.07 (0.05).

SIGNIFICANT EVENTS

In the second quarter of 2021

- RefluxStop™ is now being implemented at one of the largest hospitals in Europe, University Hospital AKH Vienna.
- Professor Schoppmann, one of Europe's leading anti-reflux surgeons, began operations with RefluxStop™ and is conducting a study with 25-30 reflux patients.
- In Sweden, which is Implantica's second home market, RefluxStop™ can be implanted with reimbursement by public healthcare. Discussions have been initiated with key centers in Sweden.
- Implantica has started to commercialize RefluxStop™ on a reimbursed basis in Italy and Spain based on local and regional hospital agreements.
- Implantica successfully raised approximately SEK 600 million in a directed new share issue to speed up the commercialization of Reflux- Stop™ and to accelerate bringing our eHealth platform tecnology to the market.
- Implantica is reinforcing its management with additional important core competencies to build an even stronger team supporting the Company's future growth.
- RefluxStop™ achieves regulatory authorisation in New Zealand.

After the end of the period

- Klinikum Friedrichshafen, a prominent anti-reflux center in Germany, successfully completes several surgeries with RefluxStop™.
- Implantica appoints new team to head commercial operations with two highly experienced sales and marketing professionals joining the company.
- Implantica strengthens its management team with a new VP Quality & Regulatory Affairs professional with over 20 years of global regulatory affairs experience.
- Implantica incorporates wholly owned subsidiary in the US, Implantica Inc. and has filed a supplement to the pre-submission for RefluxStop™ with the FDA.
- Implantica announces that it will perform a downstream merger with its holding company, Implantica MediSwiss AG.
- The board has accepted a contribution of assets of EUR 120 million from the main shareholder to the reserves (without monetary compensation) and agreed to perform a stock split in the class B shares pending EGM decision on September 17.

CEO Comments

AN EXCITING PERIOD AHEAD OF US

"We are very enthusiastic about the integration of the eHealth platform in our AppetiteControl™ device and this ground-breaking work fills the whole team with excitement."

RefluxStop™

Implantica's focus is the commercialization of RefluxStop™ and the development of our eHealth platform and upcoming products.

RefluxStop™ is now being regularly implemented at the largest hospital in Europe, University Hospital AKH Vienna, a highly prominent reflux center. Professor Schoppmann, one of Europe's leading anti-reflux surgeons, began operations with RefluxStop™ and is conducting a study with the device.

Klinikum Friedrichshafen, is another large and prominent anti-reflux center in Germany, that is now regularly performing surgeries with RefluxStop™.

Other important centers in Germany are actively performing surgeries, including University Hospital Charité in Berlin, one of the most renowned university hospitals in Germany, and St. Marien-Krankenhaus in Siegen. During the third quarter we will guide you through the expanding number of centers.

Another strategically important market is the UK where we have two sales representatives. They have lined up key opinion leaders from four centers who will travel to Switzerland in the beginning of September to receive training from Prof. Borbély at Inselspital Bern and Prof. Zehetner at Hirslanden Bern, two centers that regularly perform RefluxStop™ surgery in Switzerland.

In Sweden, discussions have been initiated with key hospitals, and in Spain there is strong interest to implement RefluxStop™, as the summer phases out.

The regulatory work is proceeding in more than 30 countries in parallel and RefluxStop™ has achieved regulatory authorisation in New Zealand.

More markets to follow

Implantica has incorporated a wholly owned subsidiary in the U.S., Implantica Inc. to prepare operations for the upcoming US Food and Drug (FDA) clearance. The US is one of the most important markets and we have filed a supplement to our pre-submission for RefluxStop™ with the FDA.

Preparing for growth

Implantica has used the pandemic period to reinforce and structure our expanding teams and prepare the ground for the upcoming sales expansion when summer is over and when elective surgeries increase again. Our management team has been strengthened with additional important core competencies to build an even stronger team supporting the Company's future growth. During this quarter we have spent time to focus on recruiting the best people available to drive the Company's success going forward.

We are appointing a new leadership team with a new VP Quality & Regulatory Affairs, Chief Commercial Officer, Chief Medical Officer and upcoming Chief Market Access Officer, all with extensive healthcare experience.

Implantica successfully raised approximately SEK 600 million in a directed new share issue and the proceeds will be used to speed up the commercialization of RefluxStop™ and to accelerate the market introduction of our eHealth platform technology. Following this successful fundraising we currently hold EUR 147 million in cash, which will be used to extend the sales, support and delivery organisations in our selected markets as well as to develop and bring new products to the market. Handelsbanken Fonder, Swedbank Robur Fonder and TIN Fonder among many more have put their trust in us, and we will do the utmost to meet their expectations.

Implantica has announced it will perform a downstream merger with its holding company, Implantica MediSwiss AG, to simplify the group structure. This will not affect or dilute the shareholding for investors in the listed entity Implantica AG.

Furthermore, the board has accepted my contribution of EUR 117 million of assets without monetary compensation. The contribution to the reserves consists of a 51% interest in my privately held company, MedicalTree Swiss AG, which has ongoing product development and a large patent portfolio comprising 15 product candidates in 4 treatment areas. In order to avoid a future takeover of Implantica, I would like to maintain and secure my current large voting majority, therefore, the board has agreed to perform a stock split in the class B shares pending a decision at the EGM scheduled for September 17.

R&D

Implantica is cooperating with Helbling Technik AG in Switzerland, which has 550 development engineers, to support and accelerate product development. With this expertise we are simultaneously driving eight different R&D workstreams including data infrastructure, food sensor and ecosystem technology. It is a very inspiring, innovative period.

One of Implantica's most innovative products is AppetiteControl™ for the treatment of obesity. We are currently in the process of starting animal testing in a special university laboratory in the U.S. AppetiteControl™ is designed to involve less risk as compared to existing obesity procedures which require extensive surgery, often discarding a large portion of the stomach as in the most common bariatric procedure, gastric sleeve surgery. In addition, AppetiteControl™ will be able to communicate with the patient's mobile phone, Implantica's database and the healthcare provider, following the strictest data and privacy requirements.

The device controls both the appetite and how much the patient eats. When the patient has eaten the amount programmed, the device creates a feeling of fullness (satiety) and the patient stops eating. The system is self-calibrating so if the patient continues to eat more, satiety is induced.

In addition to treating the 650 million super-obese, this device may be a lifestyle product for the 1.9 billion overweight people on this planet. All of the engineers involved in this project are highly enthusiastic to work on AppetiteControl™ because it combines cutting edge technology with new eHealth functionality. It is designed to completely change the treatment of obesity in a new eHealth environment.

The eHealth platform is being adapted to AppetiteControl™ with high speed and is expected to set a new standard of care when released.

We are also working hard on the integration of the eHealth platform technology in more upcoming products. By leveraging the synergies between products and technologies that occur when launching products in parallel Implantica can be faster and more cost effective. We are also enhancing the functionality of our eHealth platform in order to adapt to treat more diseases, focus on more actions and measure more parameters inside the body.

We have the advantage of being at the forefront of the eHealth transformation, and the Implantica team sees an exciting future for the Company, as the pandemic stabilises.

With the foundation of our excellent clinical 3-year results, we have convincing arguments when introducing RefluxStop™ to new surgeons and advancing our commercialization efforts.

I would like to thank all our employees and shareholders for supporting our progress. Those who have put their faith in Implantica, patiently waiting for the COVID-19 situation to subside, deserve to be rewarded for their support, which is my main target. We look forward to sharing our exciting future together with you.

Dr. Peter Forsell
CEO and Founder of Implantica AG

AN INTRODUCTION TO MEDICALTREE

**MedicalTree is a company with ongoing product development and a large patent portfolio comprising 15 product candidates in 4 treatment areas.
The portfolio includes a unique drug delivery system for chemotherapy for the treatment of cancer, which, with 19.3 million new cancer cases annually, is a market forecasted to grow to USD 74 billion by 2027.**

Chemotherapy is injected directly into blood vessels by inserting a plastic tube into a blood vessel in the hand or arm, oftentimes causing it to become clogged by blood clots after 2-3 days. MedicalTree has developed an implantable system that injects into the blood vessel from inside the body and does not cause blood clots since it is withdrawn between injections. A small injection needle will move to a new position at the blood vessel wall for the next injection. This is expected to provide a simple, effective solution to bring much relief to cancer patients. This technology combined with Implantica's eHealth platform will provide the next generation treatment, which is designed to be tailor-made to maximise treatment efficiency for cancer patients, dramatically reducing hospital stay as well as improving treatment at a significantly lower cost for society.

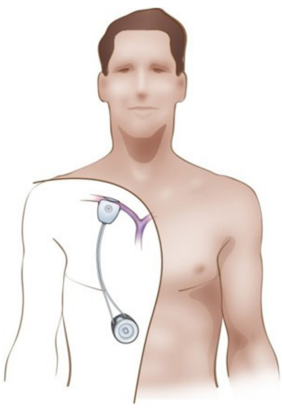
Additional treatment areas in MedicalTree include implantable lubrication treatment for osteoarthritis, endosurgical products that facilitate operations for laparoscopic surgery and cardiac pumps and valves to treat heart failure and heart valve disease.

Many of the potential MedicalTree products are designed to be active implants which incorporate the eHealth platform, thereby very much complementing the Implantica portfolio. By combining the MedicalTree products with the Implantica portfolio, development of the eHealth platform is anticipated to be expanded and accelerated, particularly given the opportune market timing of the drug delivery system. We expect to see synergies in two areas primarily: accelerated development of the platform technologies and go-to-market based on the Implantica sales force strategy of 25% specialist and 75% generalist sales representatives, selling products in multiple treatment areas.

ImplantiQ® Cytostatic

Implanted drug delivery for cancer treatment

- Implantable drug delivery intermittently directly into a blood vessel solves long-term treatment without blood clotting with a moving needle constantly changing the injection site
- A small injection needle will move to a new position at the blood vessel wall for the next injection, allowing long term treatment for chemotherapy
- Will save society substantial hospital stay with eHealth-based system
- Chemotherapy for cancer patients
  - 19.3 million cancer cases annually
  - Chemotherapy market forecasted to reach USD 74 billion by 2027
- Wirelessly rechargeable, controlled, and programmable
  - System for refill of drugs, automatic injections & delivery programmed doses
- Extensive patent portfolio and trademark reg.



IMPLANTICA IN BRIEF

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

The therapies Implantica develops are based on implants, which are inserted into the patient's body to replace bodily functions and/or treat diseases. Implantica has developed two platform technologies to be able to bring smart medical implants into the body.

Bringing advanced technology into the body requires enough power to activate a device inside the body

long-term, which is the reason why a wireless energising platform has been developed. In addition, the Company has developed an eHealth platform for communicating with and reprogramming implants.

These platform technologies are covered by a multitude of patents and patent applications.

Implantica has developed a broad, patent protected, product pipeline, two-thirds of which is based on their two platform technologies.

Implantica's most progressed product, RefluxStop™, represents a potential paradigm shift in the treatment of GERD. Acid reflux has a significant impact on patient quality of life and can induce serious complications, including increased risk for oesophageal cancer.

GERD patients rely today, to a large extent, on PPIs – a drug therapy which calms symptoms of GERD. Ultimately, with PPI treatment reflux is not prevented and the risk for oesophageal cancer remains according to a report from Karolinska Institute. Alternative surgical procedures available today are plagued with complications, including compression of the food passageway and swallowing difficulties.

Top ten shareholders as of 30 June 2021

Name	Capital (%)
Implantica MediSwiss	64.9 %
Handelsbanken Fonder	7.7 %
Swedbank Robur Fonder	6.2 %
TIN Fonder	3.6 %
BNP Paribas Luxembourg	1.4 %
Skandia Liv	1.3 %
State Street Bank	1.2 %
BNP Paribas Paris	1.0 %
Avanza Pension	0.9 %
Aktia Asset Management	0.7 %

Source: Euroclear Sweden

FINANCIAL PERFORMANCE IN BRIEF

Figures in parentheses within the following section refer to the corresponding period in the preceding year.

Net sales

During the second quarter, sales amounted to EUR 115 thousand (76), corresponding to an increase of EUR 39 thousand or 51%. Implantica is currently exclusively marketing its lead product, RefluxStop™. The Covid-19 situation continued to have a negative impact on business over the quarter. Where access to elective surgeries, including reflux surgery, was restricted.

For the first six month, sales amounted to EUR 197 thousand (99), corresponding to an increase of EUR 98 thousand or 99%.

Cost of sales and gross margin

Cost of sales during the second quarter amounted to EUR 314 thousand (308). Cost of sales considers two categories of costs. Firstly, indirect costs of amortisation of capitalised development costs relating to RefluxStop™. Secondly, Other cost of sales, which relates to direct costs for purchasing goods and services from the Group's outsourcing partners.

In the second quarter, adjusted gross margin[1], i.e. gross margin excluding amortization, amounted to 94% (98%).

The cost of sales over the first six months of the year, amounted to EUR 628 thousand (616)[1]. The adjusted gross margin[1], amounted to 93% (98%).

Operating expenses and EBIT

In the second quarter operating loss (EBIT) amounted to EUR 2,968 thousand (1,103), an increase of EUR 1,865 thousand or 169%. Where Research and development costs made up EUR 1,498 thousand (264), corresponding to an increase of EUR 1,234 thousand or 467%. The sharp cost increase year-on-year is driven by increased research and development activities relating to the eHealth platform and pipeline products. General and administrative costs increased to EUR 1,271 thousand (656), an increase of EUR 615 thousand or 94%.

The General and administrative costs almost doubling year-on-year, is primarily a result of increased costs in two areas, Consulting expense and Personnel expense.

For the first six months of the year, the operating loss (EBIT) amounted to EUR 5,247 thousand (2,500). Where Research and development cost made up EUR 2,435 thousand (577), corresponding to an increase of EUR 1,858 thousand or 322% compared to the first six month of 2020. General and administrative costs increased to EUR 2,381 thousand (1,455), an increase of EUR 926 thousand or 64%.

Financial income and expenses

Financial income amounted to EUR 90 thousand (13) during the second quarter thanks to foreign exchange gains. Financial expenses amounted to EUR 254 thousand (260) over the quarter.

For the first six months of the year, Financial income amounted to EUR 372 thousand (73) and Financial expenses totalled EUR 613 thousand (474).

Income taxes

The Group reported tax income of EUR 257 thousand (206) in the second quarter. The tax income for the quarter is explained by changes in deferred tax assets. For the first six months of the year, the Group reported a tax income of EUR 647 thousand (505).

Net earnings

The Group reported a net loss of EUR 2,875 thousand (1,144) for the second quarter, an increase of EUR 1,731 thousand driven by an increase in operating costs.

For the first six months of the year, the net loss amounted to EUR 4,841 thousand (2,396), an increase of EUR 2,445 thousand.

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

Equity and liabilities

As of 30 June 2021, the Group's equity amounted to EUR 165,9 million and the equity ratio was 98.3% compared to 98.4% as at 31 March 2021.

As of 30 June 2021, the Group did not have any interest-bearing debt.

Cash flow and liquidity

Net cash outflow from operating activities over the first six month amounted to EUR 3,269 thousand (3,116).

As of 30 June 2021, Implantica held Cash and cash equivalents of EUR 147.3 million up from EUR 93.3 million as of 31 March 2021. The increased cash holding is a result of a private placement of 4,900,000 Implantica AG Class A shares on 27 April 2021.

Auditors review

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated statement of profit or loss

in thousands of EUR	Apr to Jun 2021	Apr to Jun 2020	Jan to Jun 2021	Jan to Jun 2020	Jan to Dec 2020
Net Sales	115	76	197	99	152
Cost of sales					
Amortisation of capitalized development costs	(307)	(307)	(614)	(614)	(1,227)
Other cost of sales	(7)	(1)	(14)	(2)	(5)
Total cost of sales	(314)	(308)	(628)	(616)	(1,232)
Gross loss	(199)	(232)	(431)	(517)	(1,080)
Research and development costs (Note 4)	(1,498)	(264)	(2,435)	(577)	(2,386)
General and administrative costs	(1,271)	(656)	(2,381)	(1,455)	(7,224)
Other income	-	49	-	49	49
Operating loss	(2,968)	(1,103)	(5,247)	(2,500)	(10,641)
Financial income	90	13	372	73	1,219
Financial expenses	(254)	(260)	(613)	(474)	(898)
Loss before income taxes	(3,132)	(1,350)	(5,488)	(2,901)	(10,320)
Income taxes	257	206	647	505	43
Loss for the period attributable to owners of the Company	(2,875)	(1,144)	(4,841)	(2,396)	(10,277)
Earnings per share (Note 5)					
Basic and diluted loss per share Class A (in EUR)	(0.04)	(0.03)	(0.07)	(0.05)	(0.20)
Basic and diluted loss per share Class B (in EUR)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)

Condensed consolidated statement of profit or loss and other comprehensive income

in thousands of EUR	Apr to Jun 2021	Apr to Jun 2020	Jan to Jun 2021	Jan to Jun 2020	Jan to Dec 2021
Loss for the period	(2,875)	(1,144)	(4,841)	(2,396)	(10,277)
Other comprehensive income					
Remeasurement of net defined benefit liability	16	66	22	132	106
Related income taxes	(1)	(8)	(2)	(16)	(13)
Total items that will not be reclassified to profit or loss	*15*	*58*	*20*	*116*	*93*
Translation differences	581	12	(501)	(29)	(485)
Total items that may be reclassified subsequently to profit or loss	*581*	*12*	*(501)*	*(29)*	*(485)*
Other comprehensive income for the period, net of tax	596	70	(481)	87	(392)
Total comprehensive income for the period attributable to owners of the Company	(2,279)	(1,074)	(5,322)	(2,309)	(10,669)

Condensed consolidated statement of financial position

in thousands of EUR	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS			
Current assets			
Cash and cash equivalents (Note 7)	147,289	311	97,511
Accounts receivable	76	50	23
Other current receivables	352	288	307
Inventories	135	268	182
Total current assets	147,852	917	98,023
Non-current assets			
Property, plant and equipment	113	89	90
Right-of-use assets	140	73	197
Intangible assets (Note 4)	19,034	16,828	17,341
Deferred tax assets	1,617	1,445	968
Total non-current assets	20,904	18,435	18,596
Total assets	168,756	19,352	116,619
LIABILITIES AND EQUITY			
Current liabilities			
Trade accounts payable	-	2	4
Financial liabilities	111	389	113
Financial liabilities due to ultimate main shareholder	-	4,725	-
Other current liabilities (Note 7)	2,664	1,560	1,422
Total current liabilities	2,775	6,676	1,539
Non-current liabilities			
Financial liabilities	31	26	86
Financial liabilities due to ultimate main shareholder	-	2,523	-
Pension liability	97	81	108
Deferred tax liabilities	-	949	-
Total non-current liabilities	128	3,579	194
Total liabilities	2,903	10,255	1,733
Equity			
Share capital (Note 6)	129,137	84,073	120,187
Capital reserves (Note 6)	253,729	128,740	206,503
Translation differences (Note 6)	(952)	5	(451)
Retained earnings	(216,061)	(203,721)	(211,353)
Total equity	165,853	9,097	114,886
Total liabilities and equity	168,756	19,352	116,619

Condensed consolidated statement of cash flows

in thousands of EUR	Jan to Jun 2021	Jan to Jun 2020	Jan to Dec 2020
Loss for the period	(4,841)	(2,396)	(10,277)
Adjustments for			
Depreciation, amortisation and impairment	708	718	1,444
Financial income	(372)	(73)	(1,219)
Financial expenses	613	474	898
Income taxes	(647)	(505)	(43)
Share-based compensation	113	(123)	149
Other financial result	(8)	(8)	(15)
Change in pension liabilities	11	43	48
Other non-cash items	(33)	(19)	(79)
Changes in net working capital			
Decrease / (increase) accounts receivable	(53)	(3)	24
Decrease / (increase) other current receivables	(45)	(586)	(605)
Decrease / (increase) inventories	47	(10)	76
(Decrease) / increase trade accounts payable	(4)	-	2
(Decrease) / increase other current liabilities	1,242	(628)	(767)
Net cash outflow from operating activities	(3,269)	(3,116)	(10,364)
Cash flows from investing activities			
Purchase of property, plant and equipment	(41)	(9)	(31)
Investment in intangible assets (Note 4)	(2,329)	(560)	(1,718)
Net cash outflow from investing activities	(2,370)	(569)	(1,749)
Cash flows from financing activities			
Gross proceeds from capital increase (Note 6)	59,075	-	119,325
Costs of proceeds from capital increase (Note 6)	(2,899)	-	(3,392)
Payment of lease liabilities	(56)	(57)	(114)
Interest paid	(312)	(5)	(110)
Proceeds from financial liabilities	-	4,048	5,710
Repayment of financial liabilities	-	(24)	(12,434)
Net cash inflow from financing activities	55,808	3,962	108,985
Net increase in cash and cash equivalents	50,169	277	96,872
Effect of exchange rate fluctuations on cash held	(391)	-	605
Cash and cash equivalents at 1 January	97,511	34	34
Cash and cash equivalents at end of period	147,289	311	97,511

Condensed consolidated statement of changes in equity

in thousands of EUR	Jan to Jun 2021 Share capital	Capital reserves	Translation differences	Retained earnings	Total equity
Balance at 31 December 2020	120,187	206,503	(451)	(211,353)	114,886
Loss for the period attributable to owners of the Company	-	-	-	(4,841)	(4,841)
Other comprehensive income (net)	-	-	(501)	20	(481)
Total comprehensive income (net)	-	-	(501)	(4,821)	(5,322)
Gross proceeds from capital increase (Note 6)	8,950	50,125	-	-	59,075
Costs of proceeds from capital increase (Note 6)	-	(2,899)	-	-	(2,899)
Share-based compensation	-	-	-	113	113
Total transactions with shareholders	8,950	47,226	-	113	56,289
Balance at 30 June 2021	129,137	253,729	(952)	(216,061)	165,853

in thousands of EUR	Jan to Jun 2020 Share capital[1)]	Capital reserves	Translation differences	Retained earnings	Total equity
Balance at 31 December 2019	84,073	128,740	34	(201,318)	11,529
Loss for the period attributable to owners of the Company	-	-	-	(2,396)	(2,396)
Other comprehensive income (net)	-	-	(29)	116	87
Total comprehensive income (net)	-	-	(29)	(2,280)	(2,309)
Share-based compensation	-	-	-	(123)	(123)
Total transactions with shareholders	-	-	-	(123)	(123)
Balance at 30 June 2020	84,073	128,740	5	(203,721)	9,097

1) Implantica AG was incorporated on 7 February 2020 (refer to annual report 2020).

NOTES

NOTE 1 General information

Implantica AG (the 'Company') is domiciled at Landstrasse 1, 9490 Vaduz, Liechtenstein. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2021 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 and 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 listing on the Nasdaq First North Premier Growth Market in Stockholm was the newly incorporated Implantica AG domiciled in Liechtenstein. As part of the reorganisation Implantica MediSwiss AG founded Implantica AG on 7 February 2020 by contributing all subsidiaries (refer to annual report 2020).

These interim financial statements were authorised for issue by the Company's Board of Directors on 23 August 2021.

NOTE 2 Summary of significant accounting policies

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2020 ('last financial statements') as these interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

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.

Critical accounting estimates and judgements

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

Intangible assets – capitalised costs

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

There can be no guarantee that such products will complete the development phase or will be commercialised or that market conditions will not change in the future. Hence a revision of management's assessment of future cash flows related to those products may be required. Specifically, management is required to make estimates and judgements in the area of developing and financing the intangible assets not yet in use. As such, the Group faces development risks in terms of finalising the development and launch of its products. Development risk includes the risk that the product does not obtain regulatory approval and therefore technical feasibility is not given.

NOTE 3 General accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020.

NOTE 4 Intangible assets

	Jan to Jun	
in thousands of EUR	2021	2020
Net carrying amount at 1 January	17,341	16,911
Additions Jan to Mar	1,198	297
Additions Apr to Jun	1,131	263
Amortization Jan to Mar	(320)	(322)
Amortization Apr to Jun	(317)	(323)
Translation differences	1	2
Net carrying amount at 30 June	19,034	16,828

For the second quarter Research and development costs in the amount of EUR 1,498 thousand (YTD: EUR 2,435 thousand) were recognised in profit or loss since the conditions for capitalisation as intangible assets for these costs are not met.

NOTE 5 Earnings per share

in thousands of EUR	Apr to Jun 2021	Apr to Jun 2020	Jan to Jun 2021	Jan to Jun 2020	Jan to Dec 2020
Loss for the period attributable to owners of the Company	(2,875)	(1,144)	(4,841)	(2,396)	(10,277)
Weighted average % of Class A share capital in total share capital	83.4%	75.0%	83.0%	75.0%	76.9%
Weighted average % of Class B share capital in total share capital	16.6%	25.0%	17.0%	25.0%	23.1%
Class A shares					
Loss for the period attributable to Class A shareholders	(2,398)	(858)	(4,017)	(1,797)	(7,905)
Weighted average number of outstanding Class A shares	56,695,981	33,750,000	54,953,759	33,750,000	38,583,509
Basic and diluted (loss) per share Class A (in EUR)	(0.04)	(0.03)	(0.07)	(0.05)	(0.20)
Class B shares					
Loss for the period attributable to Class B shareholders	(477)	(286)	(824)	(599)	(2,372)
Weighted average number of Class B shares	56,250,000	56,250,000	56,250,000	56,250,000	56,250,000
Basic and diluted (loss) per share Class B (in EUR)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)

Earnings per category of shares
Earnings per class of shares (Note 6) 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 compensation arrangements was not considered in the diluted earnings per share calculation for Class A shares for the six months ended 30 June 2021 and 2020 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 (refer to annual report 2020).

NOTE 6 Equity

Share capital
The fully paid in share capital of the Group amounts to CHF 138,723 thousand (EUR 129,137 thousand) and is divided into 58,111,537 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:

	Jan to Jun			
	Class A shares		Class B shares	
in number of shares	2021	2020	2021	2020
In issue at 1 January	53,211,537	-	56,250,000	-
Issued for contribution in kind	-	13,500,000	-	22,500,000
Share split	-	20,250,000	-	33,750,000
Capital increase	4,900,000	-	-	-
In issue at 30 June	58,111,537	33,750,000	56,250,000	56,250,000

On 27 April 2021 Implantica AG increased the share capital through a private placement from EUR 120,187 thousand to EUR 129,137 thousand by issuing 4,900,000 Class A shares with a nominal value of CHF 2.00 each. The difference of EUR 47,226 thousand between the gross proceeds of EUR 59,075 thousand less transaction costs of EUR 2,899 thousand and the nominal amount of EUR 8,950 thousand (CHF 9,800 thousand) is recognised in capital reserves.

Translation differences
During the three months ended 30 June 2021 the EUR/CHF exchange rate increased from 0.903 to 0.911. As a result, the group recognised a total profit of EUR 581 thousand (YTD: EUR (501) thousand) in other comprehensive income related to the translation of financial statements of foreign operations and net investments in foreign operations.

NOTE 7 Other significant changes

Cash and cash equivalents

On 29 April 2021 the Group entered into a CHF 50,000 thousand (EUR 45,537 thousand) three months term deposit agreement with an A+ rated Swiss bank. The interest rate is (0.3%) p.a. As the duration is within three months the instrument is classified as a cash equivalent.

Other current liabilities

The other current liabilities increased by EUR 1,242 thousand due to outstanding accounts payables related to capital increase transaction costs amounting to EUR 571 thousand and other accounts payables related to the Group's development activities.

NOTE 8 Subsequent events

Implantica AG announced on 17 August 2021, that it intends to perform a downstream merger with its holding company, Implantica MediSwiss AG. An extraordinary general meeting will be held on 17 September 2021 to resolve on the proposed merger.

On 17 August 2021, Implantica AG announced that it had accepted a contribution of a 51% interest in MedicalTree Swiss AG, company privately held by Dr. Peter Forsell. MedicalTree Swiss AG is a holding company with ongoing product development and a large patent portfolio comprising 15 product candidates in 4 treatment areas.

OTHER

Telephone conference

Implantica will hold a teleconference on 24 August 2021 at 15:00 (CET) with Peter Forsell (CEO), Andreas Öhrnberg (CFO) and Nicole Pehrsson (VP Operations & IR). Please see dial-in details below to join the conference:

Webcast

https://tv.streamfabriken.com/implantica-q2-2021

Dial-in number

SE: +46 85-664 26 92
UK: +44 3333 009264
US: +1-646-722-4903

Financial calendar

24 November 2021 Interim Report Q3 2021

Listing

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

Disclaimer statement

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

CONTACTS

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

Implantica AG
Landstrasse 1
9490 Vaduz
Liechtenstein

www.implantica.com

Implantica