Consolidated financial statements

Consolidated statement of profit or loss

in thousands of EUR	Notes	2021	2020
Net Sales		387	152
Cost of sales			
Amortisation of capitalized development costs	14	(1,227)	(1,227)
Other cost of sales		(27)	(5)
Total cost of sales		**(1,254)**	**(1,232)**
Gross loss		(867)	(1,080)
Research and development costs	5	(6,343)	(2,386)
General and administrative costs	5	(5,931)	(7,224)
Other income		-	49
Operating loss		**(13,141)**	**(10,641)**
Financial income	7	684	1,219
Financial expenses	7	(2,993)	(898)
Loss before income taxes		**(15,450)**	**(10,320)**
Income taxes	8	(22)	43
Loss for the period		**(15,472)**	**(10,277)**
Attributable to			
Owners of Implantica AG		(15,361)	(10,277)
Non-controlling interests	22	(111)	-
Loss for the period		**(15,472)**	**(10,277)**
Earnings per share			
Basic and diluted loss per share Class A (in EUR)	18	(0.23)	(0.20)
Basic and diluted loss per share Class B (in EUR)	18	(0.00)	(0.00)

The notes on pages 57 to 78 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

		Jan to Dec	
in thousands of EUR	Notes	2021	2020
Loss for the period		**(15,472)**	**(10,277)**
Other comprehensive income			
Remeasurement of net defined benefit liability	20.3	(112)	106
Related income taxes		14	(13)
Total items that will not be reclassified to profit or loss		**(98)**	**93**
Translation differences	17.3	5,611	(485)
Total items that may be reclassified subsequently to profit or loss		**5,611**	**(485)**
Other comprehensive income for the period, net of tax		**5,513**	**(392)**
Total comprehensive income for the period		**(9,959)**	**(10,669)**
Attributable to			
Owners of Implantica AG		(9,848)	(10,669)
Non-controlling interests	22	(111)	-
Total comprehensive income for the period		**(9,959)**	**(10,669)**

The notes on pages 57 to 78 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

in thousands of EUR	Notes	Jan to Dec 2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	9	84,333	97,511
Accounts receivable		13	23
Other current receivables	10	476	307
Inventories	11	137	182
Current financial assets	9	48,403	-
Total current assets		**133,362**	**98,023**
Non-current assets			
Property, plant and equipment	12	233	90
Right-of-use assets	13	91	197
Intangible assets	14	28,467	17,341
Deferred tax assets	8	978	968
Total non-current assets		**29,769**	**18,596**
Total assets		**163,131**	**116,619**

in thousands of EUR	Notes	31 Dec 2021	2020
LIABILITIES AND EQUITY			
Current liabilities			
Trade accounts payable		-	4
Financial liabilities	15	92	113
Financial liabilities due to ultimate main shareholder	15	273	-
Other current liabilities	16	2,849	1,422
Total current liabilities		**3,214**	**1,539**
Non-current liabilities			
Financial liabilities	15	-	86
Pension liability	20	229	108
Total non-current liabilities		**229**	**194**
Total liabilities		**3,443**	**1,733**
Equity			
Share capital	17.1	129,137	120,187
Capital reserves	17.2	370,548	206,503
Translation differences	17.3	5,160	(451)
Retained earnings		(344,226)	(211,353)
Total equity attributable to owners of Implantica AG		**160,619**	**114,886**
Non-controlling interests	22	(931)	-
Total equity		**159,688**	**114,886**
Total liabilities and equity		**163,131**	**116,619**

The notes on pages 57 to 78 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

in thousands of EUR	Notes	31 Dec 2021	31 Dec 2020
Loss for the period		(15,472)	(10,277)
Adjustments for			
Depreciation, amortisation and impairment	12-14	1,412	1,444
Financial income	7	(684)	(1,219)
Financial expenses	7	2,993	898
Income taxes	8.1	22	(43)
Share-based compensation	19	228	149
Income taxes paid		(20)	(15)
Other financial result		(2)	48
Change in pension liabilities		(137)	(79)
Other non-cash items			
Changes in net working capital			
Decrease / (increase) accounts receivable		10	24
Decrease / (increase) other current receivables		(81)	(605)
Decrease / (increase) inventories		45	76
(Decrease) / increase trade accounts payables		(4)	2
(Decrease) / increase other current liabilities		218	(767)
Net cash outflow from operating activities		**(11,472)**	**(10,364)**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(164)	(31)
Investment in intangible assets	14	(5,277)	(1,718)
Investment in fixed term deposits	9	(46,168)	-
Net cash outflow from investing activities		**(51,609)**	**(1,749)**

in thousands of EUR	Notes	31 Dec 2021	31 Dec 2020
Cash flows from financing activities			
Gross proceeds from capital increase	17.2	59,075	119,325
Costs of proceeds from capital increase	17.2	(2,899)	(3,392)
Contribution of MedicalTree Swiss AG Group	21.1	22	-
Merger with Implantica MediSwiss AG	21.2	38	-
Payment of lease liabilities	13.2	(113)	(114)
Interest paid	7	(631)	(110)
Proceeds from financial liabilities	15	-	5,710
Repayment of financial liabilities	15	(7,441)	(12,434)
Net cash inflow from financing activities		**48,051**	**108,985**
Net increase in cash and cash equivalents		**(15,030)**	**96,872**
Effect of exchange rate fluctuations on cash held		1,852	605
Cash and cash equivalents at 1 January	9	97,511	34
Cash and cash equivalents at 31 December	**9**	**84,333**	**97,511**

The notes on pages 57 to 78 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in thousands of EUR		Jan to Dec 2021 Share capital	Capital reserves	Translation differences	Retained Earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2020		**120,187**	**206,503**	**(451)**	**(211,353)**	**114,886**	**-**	114,886
Loss for the period attributable to owners of the Company		-	-	-	(15,361)	(15,361)	(111)	(15,472)
Other comprehensive income (net)		-	-	5,611	(98)	5,513	-	5,513
Total comprehensive income (net)		**-**	**-**	**5,611**	**(15,459)**	**(9,848)**	**(111)**	**(9,959)**
Gross proceeds from capital increase	17.2	8,950	50,125	-	-	59,075	-	59,075
Costs of proceeds from capital increase	17.2	-	(2,899)	-	-	(2,899)	-	(2,899)
Contribution of MedicalTree Swiss AG Group	21.1	-	116,790	-	(117,642)	(852)	(820)	(1,672)
Merger with Implantica MediSwiss AG	21.2	-	29	-	-	29	-	29
Share-based compensation	19	-	-	-	228	228	-	228
Total transactions with shareholders		**8,950**	**164,045**	**-**	**(117,414)**	**55,581**	**(820)**	**54,761**
Balance at 31 December 2021		**129,137**	**370,548**	**5,160**	**(344,226)**	**160,619**	**(931)**	**159,688**

in thousands of EUR		Jan to Dec 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		-	-	-	(10,277)	(10,277)
Other comprehensive income (net)		-	-	(485)	93	(392)
Total comprehensive income (net)		**-**	**-**	**(485)**	**(10,184)**	**(10,669)**
Gross proceeds from initial public offering	17.2	36,114	83,211	-	-	119,325
Costs of proceeds from initial public offering	17.2	-	(3,392)	-	-	(3,392)
Equity portion of other non-current financial liability due to shareholder	15	-	(2,056)	-	-	(2,056)
Share based compensation	19	-	-	-	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**

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

The notes on pages 57 to 78 are an integral part of these consolidated financial statements.

Notes Consolidated Financial Statements

NOTE 1 General information

Implantica AG (the 'Company') is domiciled at Landstrasse 1, 9490 Vaduz, Liechtenstein. These consolidated financial statements ('financial statements') as at and for year ended 31 December 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 ultimately controlled by the Implantica Founder, 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). On 17 September 2021 Implantica AG and Implantica MediSwiss AG merged.

These financial statements were authorised for issue by the Company's Board of Directors on 6 April 2022. 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 10 May 2022.

NOTE 2 Summary of significant accounting policies

2.1 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 2021, 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.

2.2 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.

2.3 Basis of consolidation

Subsidiaries (Note 21 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 except for foreign currency transaction gains or losses.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.4 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.

2.5 Capital re-organisation

The contribution of all subsidiaries during the incorporation of the Company by the Group's parent company (Note 1) was considered to be a capital re-organisation. As a result, the Group reported as of 31 December 2020 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 were included in equity in retained earnings.

The share capital and capital reserves denominated in CHF was 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'). For a listing of all entities contributed as part of the Company's incorporation refer to Note 21.

2.6 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 2020. A number of new standards and amendments are effective from 1 January 2021 but they do not have a material effect on the Group's financial statements.

NOTE 3 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 2023 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 4 General accounting policies

4.1 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 2021	31 Dec 2020	Jan to Dec 2021	Jan to Dec 2020
		Closing rates	*Closing rates*	*Average rates*	*Average rates*
CHF	1	0.968	0.926	0.925	0.934
USD	1	0.883	0.815	0.846	0.877
SEK	100	9.756	9.966	9.861	9.540

4.2 Cash and cash equivalents

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

4.3 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.

4.4 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).

4.5 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.

4.6 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.

4.7 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) 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.

4.8 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.

4.9 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 other comprehensive income or to equity, in which case it is recognised in these positions, 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.

4.10 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.

4.11 Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services. The Group mainly focuses on the sale of 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.

4.12 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.

4.13 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 benefit obligation and the related current service cost and, where applicable, past service cost, the Projected Unit Credit Method has been used. This method is based on the amount of working years at the date of the actuarial valuation and considers the future by including:

- a discount 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.

4.14 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.

4.15 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 2021 and 2020 have been generated with RefluxStop™ in Switzerland.

NOTE 5 Expenses by nature

	Jan to Dec	
in thousands of EUR	2021	2020
Personnel expense (Note 6)	3,275	1,314
Consulting expense	7,565	3,223
Listing transaction costs (Note 17.2)	-	3,920
Audit and accounting services	357	275
Communication & IT	337	219
Marketing	277	137
Depreciation and amortization	1,412	1,444
Insurance, charges & capital taxes	212	204
Other operating expenses	93	106
Total operating expenses	**13,528**	**10,842**

NOTE 6 Personnel expenses

	Jan to Dec	
in thousands of EUR	2021	2020
Salaries and wages	1,995	946
Social security contributions	353	92
Short-time work compensation	(17)	(102)
Pension defined benefits plans (Note 20)	44	71
Share-based compensation (Note 19)	228	149
Other personnel expenses	672	158
Total operating expenses	**3,275**	**1,314**
Average number of employees	29	19
Average number of contract staff with employee like terms	55	41

NOTE 7 Financial income and expenses

in thousands of EUR	Jan to Dec 2021	Jan to Dec 2020
Foreign exchange gains	684	1,219
Total financial income	**684**	**1,219**
Interest expense	631	110
Bank charges	20	15
Interest expense on lease liabilities (Note 13)	4	3
Unwinding effective interest on financial debts (Note 15)	-	541
Foreign exchange losses	2,338	229
Total financial expenses	**2,993**	**898**

NOTE 8 Income taxes

8.1 Income taxes in statement of profit or loss

in thousands of EUR	Jan to Dec 2021	Jan to Dec 2020
Current income tax expense/(income)	13	11
Deferred income tax expense/(income) from changes of temporary differences	9	(54)
Total income tax expense (income)	**22**	**(43)**

8.2 Reconciliation of effective tax rate

in thousands of EUR	Jan to Dec 2021	Jan to Dec 2020
Loss before taxes	(15,450)	(10,320)
Group's weighted average tax rate	26.9%	26.7%
Income taxes at group's weighted average tax rate	**(4,156)**	**(2,752)**
Tax losses not capitalized	4,156	2,584
Capitalisation of previously unrecognised deferred tax assets	-	(52)
Derecognition of previously recognised deferred tax assets	8	166
Other	14	11
Income taxes reported	**22**	**(43)**
Effective tax rate	(0.1)%	0.4%

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 26.7% for the year ended 31 December 2020 to 26.9% for year ended 31 December 2021.

8.3 Deferred income taxes

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

	Jan to Dec 2021					
in thousands of EUR	Balance at 1 Jan	Recognised in P&L	Recognised in OCI	Recognised in Equity	Translation differences	Balance at 31 Dec
Intangible assets	968	10	-	-	-	978
Share-based compensation	-	(4)	-	-	4	-
Pension defined benefits plans	-	(15)	14	-	1	-
Net deferred tax assets	**968**	**(9)**	**14**	**-**	**5**	**978**

	Jan to Dec 2020					
in thousands of EUR	Balance at 1 Jan	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**					**-**

8.4 Tax loss carry-forward

in thousands of EUR	31 Dec 2021 Gross value	31 Dec 2020 Gross value	31 Dec 2021 Potential tax benefits	31 Dec 2020 Potential tax benefits
Tax loss carry-forward capitalized	**-**	**-**	**-**	**-**
Expiring in:				
2nd to 3th year	16		2	
4th to 5th year	22	31	3	4
6th to 7th year	3,758	1,547	451	186
Unlimited	40,262	13,517	4,419	2,947
Tax loss carry-forward not capitalized	**44,058**	**15,095**	**4,875**	**3,136**
Total tax loss carry-forward	**44,058**	**15,095**	**4,875**	**3,136**

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. A total amount of EUR 17,494 thousand tax loss carry-forward increase relate to the contribution of the MedicalTree Swiss AG (Note 21.1) and the merger with Implantica MediSwiss AG (Note 21.2).

NOTE 9 Cash and cash equivalents and current financial assets

in thousands of EUR	31 Dec 2021	31 Dec 2020
Cash on hand	1	1
Cash at bank	84,332	97,510
Cash and cash equivalents	**84,333**	**97,511**

On 29 July 2021 the Group entered into a CHF 50,000 thousand (EUR 48,403 thousand) six months term deposit agreement with an A+ rated Swiss bank. The interest rate is (0.3)% p.a.

As the duration is more than three months the instrument is classified as a current financial asset.

NOTE 10 Other current receivables

in thousands of EUR	31 Dec 2021	31 Dec 2020
Current account due to founder (ultimate main shareholder)	12	-
VAT and other tax receivables	139	96
Prepaid expenses	325	211
Total other current receivables	**476**	**307**

NOTE 11 Inventories

in thousands of EUR	31 Dec 2021	31 Dec 2020
Semi-finished goods	-	124
Finished goods	137	58
Total inventories	**137**	**182**

NOTE 12 Property, plant and equipment

	Jan to Dec 2021			
in thousands of EUR	Furniture	IT Hardware	Vehicles & Tools	Total
At cost				
Balance at 31 December 2020	**66**	**121**	**30**	**217**
Additions	94	70	-	164
Capital contribution and downstream merger (Note 21)	6	20	-	26
Translation differences	1	3	-	4
Balance at 31 December 2021	**167**	**214**	**30**	**411**
Accumulated depreciation				
Balance at 31 December 2020	**(26)**	**(82)**	**(19)**	**(127)**
Depreciation charge for the period	(10)	(25)	(7)	(42)
Capital contribution and downstream merger (Note 21)	(2)	(3)	-	(5)
Translation differences	(1)	(3)	-	(4)
Balance at 31 December 2021	**(39)**	**(113)**	**(26)**	**(178)**
Net carrying amount				
Balance at 31 December 2020	**40**	**39**	**11**	**90**
Balance at 31 December 2021	**128**	**101**	**4**	**233**

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

NOTE 13 Leases

13.1 Right-of-use assets

The Company leases two buildings in Switzerland and Malta.

	Jan to Dec	
in thousands of EUR	2021	2020
At cost		
Balance at 1 January	**254**	**236**
Additions	-	188
Derecognitions	-	(171)
Translation differences	(1)	1
Balance at 31 December	**253**	**254**
Accumulated depreciation		
Balance at 1 January	**(57)**	**(109)**
Depreciation charge for the period	(109)	(119)
Derecognitions	-	171
Translation differences	4	-
Balance at 31 December	**(162)**	**(57)**
Net carrying amount		
Balance at 1 January	**197**	**127**
Balance at 31 December	**91**	**197**

13.2 Lease liabilities

	Jan to Dec	
in thousands of EUR	2021	2020
Balance at 1 January	**199**	**130**
Lease payments	(113)	(114)
Additions	-	188
Accrued interest	4	3
Revaluation	3	(8)
Translation differences	(1)	-
Balance at 31 December	**92**	**199**
thereof included in current financial liabilities (Note 15)	92	113
thereof included in non-current financial liabilities (Note 15)	-	86

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 2021 is 2.53% (2020: 2.52%).

13.3 Amounts recognised in profit or loss and total cash outflows

	Jan to Dec	
in thousands of EUR	2021	2020
Depreciation of right-of-use assets	109	119
Interest on lease liabilities	4	3
Expense relating to short-term leases	11	4
Total amount recognised in profit or loss	**124**	**126**

The Group had total cash outflows for leases of EUR 125 thousand during the year ended 31 December 2021 (2020: EUR 118 thousand).

13.4 Not yet commenced lease agreements

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are EUR 309 thousand within one year and EUR 1,149 thousand within five years.

NOTE 14 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 when the amortisation over its useful life started. All other products are not yet available for use and therefore not amortised but tested for impairment annually.

	Jan to Dec 2021		
in thousands of EUR	Development cost	Software	Total
At cost			
Balance at 31 December 2020	19,760	183	19,943
Additions	6,038	23	6,061
Contribution of MedicalTree Swiss AG Group (Note 21.1)	6,325	-	6,325
Translation differences	-	8	8
Balance at 31 December 2021	32,123	214	32,337
Accumulated depreciation			
Balance at 31 December 2020	(2,454)	(148)	(2,602)
Amortisation charge for the period	(1,227)	(34)	(1,261)
Translation differences	-	(7)	(7)
Balance at 31 December 2021	(3,681)	(189)	(3,870)
Net carrying amount			
Balance at 31 December 2020	17,306	35	17,341
Balance at 31 December 2021	28,442	25	28,467

	Jan to Dec 2020		
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

Note 14 cont'd

Allocation of development cost to specific products:

in thousands of EUR	31 Dec 2021	31 Dec 2020
RefluxStop™	8,589	9,816
Other products not yet available for use	19,853	7,490
Total development costs	**28,442**	**17,306**

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 previous year-end financial statements, the Group had also performed an impairment test for RefluxStop™ due to the increased uncertainty in connection with the COVID-19 pandemic.

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 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 8.94% (2020: 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 2021 exceeds the respective book value for all CGUs and therefore no impairment was recognised.

NOTE 15 Financial liabilities

in thousands of EUR	31 Dec 2021	31 Dec 2020
Lease liabilities (Note 13.2)	92	113
Total current financial liabilities	**92**	**113**
Current account due to founder (ultimate main shareholder)	273	-
Total current financial liabilities due to ultimate main shareholder	**273**	**-**
Lease liabilities (Note 13.2)	-	86
Total non-current financial liabilities	**-**	**86**

	Jan to Dec 2021	
in thousands of EUR	Current account	Total
At amortized cost		
Balance at 31 December 2020	-	-
Cash flow effective		
Repayments	(7,441)	(7,441)
Total cash flow effective	**(7,441)**	**(7,441)**
Non-cash flow effective		
Contribution of MedicalTree Swiss AG Group (Note 21.1)	7,714	7,714
Total non-cash flow effective	**7,714**	**7,714**
Balance at 31 December 2021	**273**	**273**

in thousands of EUR	Jan to Dec 2020				
	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	**-**	**-**	**-**	**-**	**-**

Implantica AG incorporation liability

The incorporation liability arose during the incorporation of the company (Note 2.5) 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 as at 29 September 2020, 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 17.2). An amount of EUR 2,056 thousand (net of tax EUR 926 thousand) was therefore derecognised from capital reserves during the year ended 31 December 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 16 Other current liabilities

in thousands of EUR	31 Dec 2021	31 Dec 2020
Liabilities due to related parties	4	16
Accounts payable	1,807	1,119
VAT and other tax payables	125	46
Accrued expenses	885	237
Other current liabilities	28	4
Total other current liabilities	**2,849**	**1,422**

NOTE 17 Equity

17.1 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 1,125,000,000 with a nominal value of CHF 0.02 each (Class B).

During the period the number of shares changed as follows:

	Jan to Dec			
in thousands of EUR	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	1,068,750,000	33,750,000
Listing excluding overallotment option	-	16,923,076	-	-
Overallotment option	-	2,538,461	-	-
Capital increase	4,900,000	-	-	-
In issue at 31 December	**58,111,537**	**53,211,537**	**1,125,000,000**	**56,250,000**

Issued for contribution in kind

On 7 February 2020 Implantica MediSwiss AG incorporated Implantica AG by contributing its direct and indirect subsidiaries. These consolidated interim financial statements are prepared as if the Company was incorporated at the beginning of the year ended 31 December 2019 (Note 2.5.

Share split 2021

On 17 September 2021 the extraordinary general meeting of the Company resolved to perform a Class B share split at the ratio of 20 to 1. The nominal value of each Class B share decreased form CHF 0.40 to CHF 0.02.

Share split 2020

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 16 April 2026 by a maximum amount of CHF 15,985 thousand by issuing a maximum number of 7,992,307 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 19).

17.2 Capital reserves

Capital increase 2021

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.

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 15).

17.3 Translation difference

During the year ended 31 December 2021 the EUR/CHF exchange rate increased from 0.926 to 0.968. As a result, the group recognised a total profit of EUR 5,611 thousand in other comprehensive income related to the translation of financial statements of foreign operations and net investments in foreign operations (Note 4.1).

NOTE 18 Earnings per share

	Jan to Dec	
in thousands of EUR	2021	2020
Loss for the period attributable to owners of Implantica AG	**(15,361)**	**(10,277)**
Weighted average % of Class A share capital in total share capital	83.4%	76.9%
Weighted average % of Class B share capital in total share capital	16.6%	23.1%
Class A shares		
Loss for the period attributable to Class A shareholders	(12,809)	(7,905)
Weighted average number of outstanding Class A shares	56,549,999	38,583,509
Basic and diluted (loss) per share Class A (in EUR)	**(0.23)**	**(0.20)**
Class B shares		
Loss for the period attributable to Class B shareholders	(2,552)	(2,372)
Weighted average number of Class B shares	1,125,000,000	1,125,000,000
Basic and diluted (loss) per share Class B (in EUR)	**(0.00)**	**(0.00)**

Earnings per category of shares
Earnings per class of shares (Note 17 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 19) was not considered in the diluted earnings per share calculation for Class A shares for the year ended 31 December 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 17 September 2021 the extraordinary general meeting of the Company resolved to perform a Class B share split at the ratio of 20 to 1. Accordingly, the weighted average number of Class B shares outstanding in all periods presented are adjusted (multiplied by 20) 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.

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 year ended 31 December 2019 consistent with the overall accounting policy for capital re-organisations (Note 2.5).

NOTE 19 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:

in thousands of EUR	Jan to Dec 2021	Jan to Dec 2020
Share option programs settled by the parent company of Implantica AG	-	(280)
Share option programs settled by Implantica AG1	228	429
Total share-based payment expense/(income)	**228**	**149**

[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.

19.1 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.

19.2 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 1 Feb 2025	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 2021 (2020: all), of which 86,840 are exercisable (2020: 54,284).

In addition, there are 15,900 outstanding fully vested share options to a former member of the board of directors of Implantica MediSwiss AG of which 10,700 expire on 31 December 2022 and 5,200 on 31 December 2023.

Reduction of contractual life of options

The exercise period of 120,375 existing share options was reduced during the year ended 31 December 2020 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 during the year ended 31 December 2020.

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 20 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.

20.1 Amounts recognised in statement of financial position

	31 Dec	31 Dec
in thousands of EUR	2021	2020
Defined benefit obligation	1,270	647
Fair value of plan (assets)	(1,041)	(539)
Net defined benefit obligation	**229**	**108**

The expected employer contributions to the defined benefit plan within the next 12 months is EUR 57 thousand (2020: EUR 24 thousand). The weighted average duration of the defined benefit plan obligation as of 31 December 2021 is 17.5 years (2020: 18.9 years).

20.2 Amounts recognised in profit or loss

	Jan to Dec	
in thousands of EUR	2021	2020
Current service cost	45	69
Interest expense on defined benefit obligation	-	9
Interest (income) on plan assets	(1)	(9)
Administration cost excl. cost for managing plan assets	-	2
Total expense of defined benefit plans recognised in profit or loss	**44**	**71**
thereof service cost and administration cost	44	70
thereof net interest on the net defined benefit liability (asset)	-	1

20.3 Amounts recognised in other comprehensive income

	Jan to Dec	
in thousands of EUR	2021	2020
Actuarial (gain)/loss from:		
Changes in financial assumptions	-	11
Changes in demographic assumptions	(64)	-
Experience adjustments to defined benefit obligation	211	(85)
Total actuarial (gain)/loss	**147**	**(74)**
Return on plan assets (excluding amount recognised in profit or loss)	(52)	(64)
Others	17	32
Total expense/(income) of defined benefit plans recognised in other comprehensive income	**112**	**(106)**

20.4 Changes in the present value of the defined benefit obligations

in thousands of EUR	Jan to Dec 2021	2020
Defined benefit obligation at 1 January	**647**	**2,738**
Interest expense on defined benefit obligation	-	9
Current service cost	45	69
Contributions by plan participants	48	23
Benefits (paid) / deposited	326	(2,271)
Administration cost (excl. cost for managing plan assets)	-	2
Actuarial (gain) / loss	147	(74)
Others	-	119
Translation differences	57	32
Defined benefit obligation at 31 December	**1,270**	**647**

20.5 Changes in the fair value of plan assets

in thousands of EUR	Jan to Dec 2021	2020
Fair value of plan assets at 1 January	**539**	**2,574**
Interest income on plan assets	1	9
Contributions by the employer	48	23
Contributions by plan participants	48	23
Benefits (paid) / deposited	326	(2,271)
Return on plan assets excl. interest income	52	64
Others	(19)	87
Translation differences	46	30
Fair value of plan assets at 31 December	**1,041**	**539**

20.6 Key actuarial assumptions

in thousands of EUR	31 Dec 2021	31 Dec 2020
Discount rate	0.20%	0.20%
Interest rate on retirement savings capital	0.50%	0.50%
Expected rate of salary increases	0.50%	0.50%
Mortality tables used	BVG2020 GT	BVG2015 GT

20.7 Sensitivity analysis

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

in thousands of EUR	31 Dec 2021	31 Dec 2020
Discount rate decrease by 25 bps	57	31
Discount rate increase by 25 bps	(54)	(30)
Expected rate of salary increases decrease by 25 bps	(7)	(2)
Expected rate of salary increases increase by 25 bps	6	-
Life expectancy increase by 1 year	17	8
Life expectancy decrease by 1 year	(17)	(9)

NOTE 21 List of consolidated subsidiaries

Registered name	Country of incorporation	Principal activities[1]	Share capital in thousand	31 Dec 2021	31 Dec 2020
Implantica Group Holding Ltd.	Malta	Holding	EUR 790,000	100%	100%
Implantica CE Reflux Ltd.	Malta	R&D	EUR 1.2	100%	100%
Implantica CE UriControl® Ltd	Malta	R&D	EUR 1.2	100%	100%
Implantica Marketing Ltd	Malta	D&M	EUR 1.2	100%	100%
Implantica Patent Ltd.	Malta	Patent	EUR 1.2	100%	100%
Implantica Management AG	Switzerland	Management	CHF 100	100%	100%
Implantica Trading AG	Switzerland	D&M	CHF 100	100%	100%
Implantica Inc.[2]	USA	D&M	USD 1	100%	n/a
MedicalTree Swiss AG[3]	Liechtenstein	Holding	CHF 79,500	51%	0%
MedicalTree Group Holding Ltd.[3]	Malta	Holding	EUR 265,001.2	51%	0%
MedicalTree Patents Ltd.[3]	Malta	Patent	EUR 1.2	51%	0%
MedicalTree CE & Production Ltd.[3]	Malta	R&D	EUR 1.2	51%	0%
MedicalTree Distribution Ltd.[3]	Malta	D&M	EUR 1.2	51%	0%
MedicalTree Marketing Ltd.[3]	Malta	D&M	EUR 1.2	51%	0%

[1] R&D = Research and development; D&M = Distribution and marketing
[2] The Group incorporated in November 2021 the new distribution and marketing subsidiary Implantica Inc. in the United States of America
[3] MedicalTree Group contributed by ultimate main shareholder (Note 21.1)

21.1 Contribution of MedicalTree Group

On 17 September 2021 Holdica Limited, a company controlled by Dr. Peter Forsell contributed 51% of the interests in Medical-Tree Swiss AG and all its subsidiaries for no consideration. Instead, a share split in the class B shares (Note 17.1) of Implantica AG was agreed. Both transactions were approved unanimously by the extraordinary general meeting on 17 September 2021. MedicalTree Swiss AG is a holding company with ongoing product development and a large patent portfolio comprising 15 product candidates in 4 treatment areas.

Since Holdica Limited also controls Implantica AG the trans-action is considered to be a "common control transaction" for which the Group applies the prospective book value method. The Group recognises the subsidiaries carrying amounts of the assets and liabilities contributed as of 17 September 2021.

The difference between the recognised capital contribution reserve in Implantica AG (at fair value) and the carrying amounts of the assets and liabilities contributed less the carrying amount attributable to non-controlling interests is included in retained earnings.

The carrying amounts of the assets and liabilities contributed are as follows:

in thousands of EUR	17 Sep 2021
Cash and cash equivalents	22
Other current receivables	80
Current receivables due to minority shareholder	5
Property, plant and equipment	18
Intangible assets	6,325
Other current liabilities	(405)
Other current liabilities due to member of the board	(3)
Financial liabilities due to founder	(7,714)
Net assets contributed	**(1,672)**

21.2 Merger with Implantica MediSwiss

The extraordinary general meeting on 17 September 2021 resolved to approve the merger plan dated 17 August 2021 for the merger of Implantica MediSwiss AG as the transferring company into Implantica AG as the acquiring company. The transaction is considered to be a downstream merger with its holding company for which the Group applies the prospective book value method. The Group recognises the transferring company's carrying amounts of the assets and liabilities as of 17 September 2021. The Implantica founder, Dr Peter Forsell, contributed a total amount of EUR 209 thousand by offsetting with financial liabilities in order to compensate the shareholders of Implantica AG for the net liabilities of the transferring company.

The carrying amounts of the assets and liabilities of Implantica MediSwiss AG as at the date of the merger are as follows:

in thousands of EUR	17 Sep 2021
Cash and cash equivalents	38
Other current receivables	3
Property, plant and equipment	3
Other current liabilities	(17)
Financial liabilities due to founder	(207)
Net assets of Implantica MediSwiss AG	**(180)**
Capital contribution from founder	209
Net assets contributed	**29**

NOTE 22 Non-controlling interests

The Group's non-controlling interests relate to 49% of the capital and voting rights of the MedicalTree Swiss AG Group (refer to list of companies in Note 21). The following table summarises the financial information of the MedicalTree Swiss AG Group:

in thousands of EUR	31Dec 2021
Net assets attributable to non-controlling interests	
Current assets	1,995
Non-current assets	6,651
Current liabilities	(446)
Non-current liabilities	(10,100)
Net assets	**(1,900)**
Net assets attributable to non-controlling interests	(931)
Total comprehensive income allocated to non-controlling interests	
Operating expenses	(116)
Financial result	(112)
Loss for the year and total comprehensive income	**(228)**
Loss for the year and total comprehensive income allocated to non-controlling interests	(111)
Cash flows allocated to non-controlling interests	
Cash flows from operating activities	(310)
Cash flows from investing activities	(310)
Cash flows from financing activities	2,581
Net increase (decrease) in cash and cash equivalents	**1,961**

NOTE 23 Related parties

23.1 Transactions and balances

in thousands of EUR	31 Dec 2021	31 Dec 2020
Other current assets due to founder (ultimate main shareholder)	12	-
Current financial liabilities due to founder (ultimate main shareholder)	(273)	-
Other current liabilities due to companies controlled by members of the BoD	(4)	-
Other current liabilities due to members of the BoD	-	(16)
Total net related parties (liabilities)	**(265)**	**(16)**

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 57 thousand for the year ended 31 December 2021 (2020: EUR 78 thousand).

23.2 Key management compensation

in thousands of EUR	Jan to Dec 2021	Jan to Dec 2020
Short-term employee benefits	117	66
Share-based compensation	62	79
Total compensation to members of the Board of Directors (BoD)	**179**	**145**
Short-term employee benefits	606	455
Share-based compensation	160	58
Total compensation to members of the Group Executive Board	**766**	**513**
Total compensation to members of the BoD and the Group Executive Board	**945**	**658**

NOTE 24 Financial risk management

24.1 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, cash at bank and fixed term deposits.

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 2021	31 Dec 2020
Cash at bank	84,332	97,510
Accounts receivable	13	23
Other current receivables	12	-
Current financial assets	48,403	-
Total carrying amount of financial assets	**132,760**	**97,533**

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

in thousands of EUR	31 Dec 2021	31 Dec 2020
A+	132,714	97,509
Without rating	46	24
Total carrying amount of financial assets	**132,760**	**97,533**

24.2 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 December 2021			
	Maturities			Carrying
in thousands of EUR	Up to 1 year	From 1 to 2 years	From 2 to 3 years	amount
Other current liabilities	2,724	-	-	2,724
Current account due to founder	273	-	-	273
Lease liabilities	97	-	-	92
Total financial liabilities	**3,094**	**-**	**-**	**3,089**

	As at 31 December 2020			
	Maturities			Carrying
in thousands of EUR	Up to 1 year	From 1 to 2 years	From 2 to 3 years	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**

24.3 Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates and interest rates - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group strategy to manage foreign exchange risk is to retain funds in currencies required in future transactions even though the Group does not apply hedge accounting resulting in some volatility in profit or loss.

Since the interest rate risk is not considered material for the Group no risk management procedures are in place.

Foreign exchange risk

The following exposure to foreign currency risks existed as of 31 December 2021 and 2020 in relation to financial instruments:

	31 December 2021				
in thousands of EUR	EUR	CHF	SEK	Other	Total
Financial assets					
Cash at bank	2	52	14,015	3	14,072
Accounts receivables	-	13	-	-	13
Total financial assets	**2**	**65**	**14,015**	**3**	**14,085**
Financial liabilities					
Other current liabilities	11	772	333	88	1,204
Total financial liabilities	**11**	**772**	**333**	**88**	**1,204**

	31 December 2021				
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**

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 variab-les, in particular the interest rate level, remain constant.

	Jan to Dec	
in thousands of EUR	2021	2020
CHF (strengthening by 5%)	(37)	(4)
CHF (weakening by 5%)	33	4
SEK (strengthening by 5%)	720	894
SEK (weakening by 5%)	(652)	(809)

Interest rate risk

The Group is exposed to negative interest rates charged on cash at bank and fixed term deposits. An increase of the negative interest rate by 50 basis points would have increased the interest expense for the year ended 31 December 2021 by EUR 664 thousand (2020: EUR 122 thousand).

24.4 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. The equity ratio as of 31 December 2021 is 97.9% (2020: 98.5%).

NOTE 25 Financial assets and financial liabilities

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

in thousands of EUR	31 Dec 2021	31 Dec 2020
Financial assets measured at amortised cost		
Cash at bank	84,332	97,510
Accounts receivables	13	23
Other current receivables	12	-
Current financial assets	48,403	-
Total financial assets	**132,760**	**97,533**
Financial liabilities measured at amortised cost		
Trade accounts payable	-	4
Financial liabilities	365	199
Other current liabilities	1,839	1,139
Total financial liabilities	**2,204**	**1,342**

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 2021 and 31 December 2020, 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 at 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.