

Interim report 1H 2021

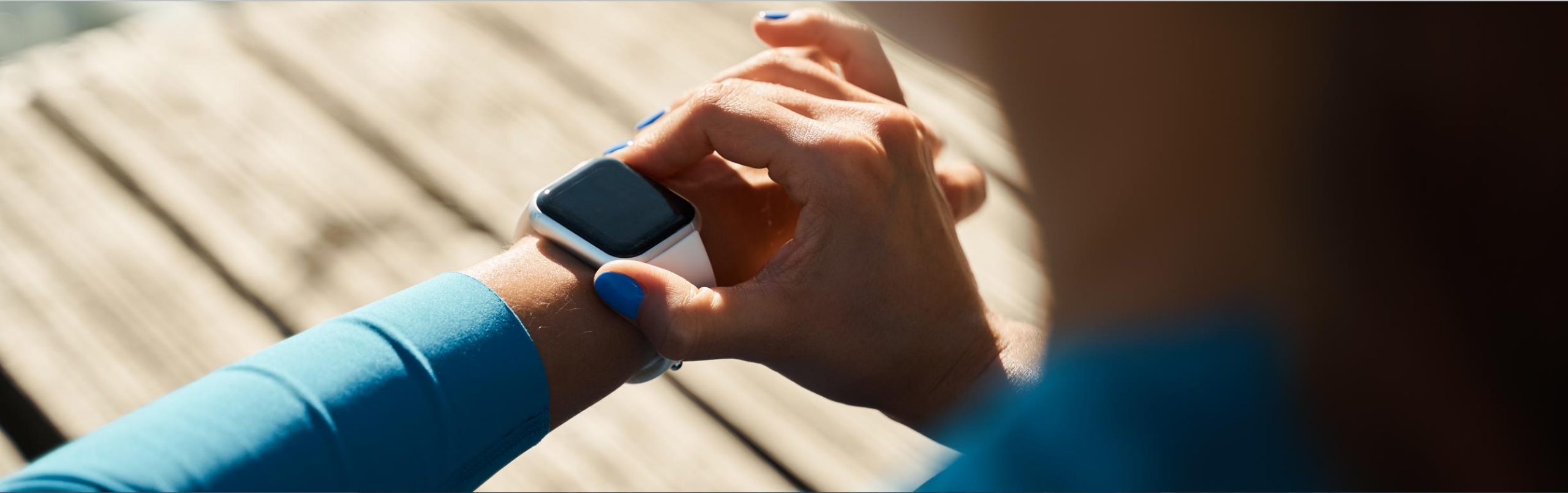


Table of contents



Introduction



Highlights 1H 2021



Key financial figures



Outlook



Interim statement and cash flow

Introduction

Lifecare's mission is to develop and license technologies for use in medical devices.

The main objective is to develop our core technology Sencell for glucose detection based on Lifecare proprietary osmotic sensing principle.





Highlights 1H 2021 - Scientific

Regulatory approval Clinical Study Protocol

Lifecare has received regulatory approval from the German Federal Institute for Drugs and Medical Devices (BfArM) for the first-in-human Sencell Clinical Study Protocol. The approval represents a major milestone in the development of an implantable Sencell continuous glucose sensor. The approved Clinical Study Protocol involves the Sencell needle sensor version, and the aim of the study is to increase the base for interpreting read-out signals in human subjects as a first performance evaluation, while the Sencell sensing element and housing used in the needle is already miniaturized to the size of a rice grain.

Chemistry research

Chemistry is a cornerstone of Lifecare's osmotic sensing principle. Variations in the osmotic pressure affects the chemical bindings in Lifecare proprietary chemical compositions. In collaboration with the University of Bath (UK) and Prof. Tony James we have made significant progress optimizing the chemical composition for glucose reaction used in Sencell. In addition, we have amplified the collaboration with the University of Bath/Prof. James and directly engaged Dr. Jordan Edward Garnier as a consultant chemist to further develop a systemic approach to measure various analytes in addition to glucose. The first promising candidates for measurement of other analytes has already been identified.

European Patent Office granted new patent

The European Patent Office (EPO) notified Lifecare in March of its intent to grant a new patent expanding Lifecare's patent protection in time and scope. Lifecare reviewed the EPO examining division's comments to the patent application and concluded that the examining divisions suggested changes was of a cosmetic nature and hence Lifecare accepted the suggested changes. EPO decided to grant Lifecare the new patent in 2H 2021, valid until 2038.

The patent includes an updated sensor measuring system comprised of the already well-known and proprietary osmotic pressure based Sencell core technology for glucose, and an additional reference sensor to measure environmentally induced general pressure changes. The measuring method opens opportunities to expand the use of the Sencell technology to include measurement of many parameters in the interstitial fluid and in the blood.



Highlights 1H 2021 – Operational

Development partner Digital Diagnostics AG

Lifecares technical development partner Digital Diagnostics AG was declared bankrupt in 1H 2021 and consequently not able to finalize the contractually agreed development of Sencell. Lifecare controls the ownership of the Intellectual Property (IP) necessary for the Sencell development. In addition, Lifecare is contractually entitled to an unrestricted license to all emerging IP within the field of glucose measurements arising from the contracted development of Sencell.

This situation has led Lifecare to restructure the company's processes for technology and product development. In this relation Lifecare have negotiated with the insolvency trustee to enter into a service agreement with the estate, as well as buying-out Digital Diagnostics UG assets from the estate. These negotiations stopped, as a bid on Digital Diagnostics AG assets from a German pension fund was accepted by the bankruptcy estate.

Subsequently, the process related to Digital Diagnostics AG is now limited to distribution of dividends from the bankruptcy estate, during which Lifecare has registered financial claims deriving from the original joint venture agreement and in the capacity as a licensor, based on the license agreement. Lifecares position as a shareholder of Digital Diagnostics AG can affect the priority for distribution of dividends and hence it is unclear to what extent our claims can be expected to be reimbursed.

Acquisition of Cantimed UG to secure continued license - expanding the scope of potential commercial activities

Lifecare has acquired its former development partner Cantimed UG to ensure a continued license for 3DNanoprinting technology necessary for production of the miniaturized Sencell for glucose. The transaction also entails a broadening of the license scope covering the field of medical devices, expanded from Lifecares original license (limited to the field of glucose measurements). Lifecare plans to rename and restructure the subsidiary to install it as Lifecares operational R&D unit in Germany. Furthermore, Lifecare aim to position the subsidiary for commercial activities based on sublicensing of technology and contract R&D in the capacity as a highly competent developer of nano-biosensors.

The enhanced scope of the license is highly compatible with Lifecares newly approved European patent “interstitial fluid osmotic pressure measuring device system and method”. Seen in combination, the two technologies open for precise measurement capabilities for a wide range of analytes useful in a wide medical perspective.



Highlights 1H 2021 – Operational

Operational base for technical development in Germany

During the said BfArM application process (cf. Highlights 2021 – Scientific) several aspects related to device sterilisation, biocompatibility and safety were addressed and adequately solved, and our development partner Pfützner Science & Health Institute are prepared to manage the study in accordance with the approved protocol.

As stated in the annual report for 2020 Lifecare intend to prioritize building a closer affiliation for key- personnel, hence the company have initiated preparations to replace consultancy and contract-research cooperation's through Lifecare hiring and in-house research.

It is a prioritized task to set up a new technical development department. The first important measures taken, have been to ensure access to specialised equipment through cooperation agreements with academic institutions in respectively Frankfurt and Oldenburg. The wholly owned Lifecare subsidiary Cantimed UG will be restructured to also serve the purpose as the technical development body for Lifecare in Germany. Additional structural measures are in the planning and consideration phase. Based on such structural adaptations we aim to be positioned to complete the system integration of all technical components in-house Lifecare within 1H 2022 and consequently initiate the first-in-human trials in 1H 2022.

Key financial figures

Financial statements 1H 2021 (MNOK) unaudited	1H 2021	1H 2020	FY 2020
Revenue	0	0	5,4
Salaries	-0,3	0	-0,7
<u>Other operating costs</u>	<u>-5,0</u>	<u>-1,9</u>	<u>-7,1</u>
Sum operating result	<u>-5,3</u>	<u>-1,9</u>	<u>-2,5</u>
Net finance	-0,1	-0,1	-0,2
Sum	-5,3	-2,0	-2,7
Equity	8,0	15,7	13,3
Total Assets	13,6	14,5	14,6



Financial review

The net result for 1H 2021 was a net loss of 5,3 million compared to a net loss of 2,0 million in 1H 2020. Operating expenses amounted to 5,3 million in 1H 2021 compared to 1,9 million in 1H 2020. In 2020 Digital Diagnostics AG funded major parts of Lifecare's operational costs, enabling Lifecare to postpone the planned private placement originally planned for H2 2020. As this agreement is no longer active, Lifecare's operating costs increased in 1H 2021.

Lifecare has increased research costs in 1H 2021 regarding the development of chemistry solutions due to expanded and prolonged agreement with Bath University. Consultancy and legal fees also increased during first half, this in connection with Digital Diagnostics AG negotiations as well as the acquisition of Cantimed UG. Due to Corona, travel cost has been reduced.

Lifecare seek to expand the organisation in Germany securing key-personnel and enabling manufacturing of Sencell. Technical development activity will increase, and cash burn will increase as we take control of the technical development inhouse.



Outlook

Controlling the development

In 2H 2021 Lifecare will set up a technical development department in Germany, including necessary infrastructure for sensor R&D, evaluation, validation and ultimately manufacturing. This will ensure a streamlined Lifecare-controlled development process for Sencell.

Clinical trials

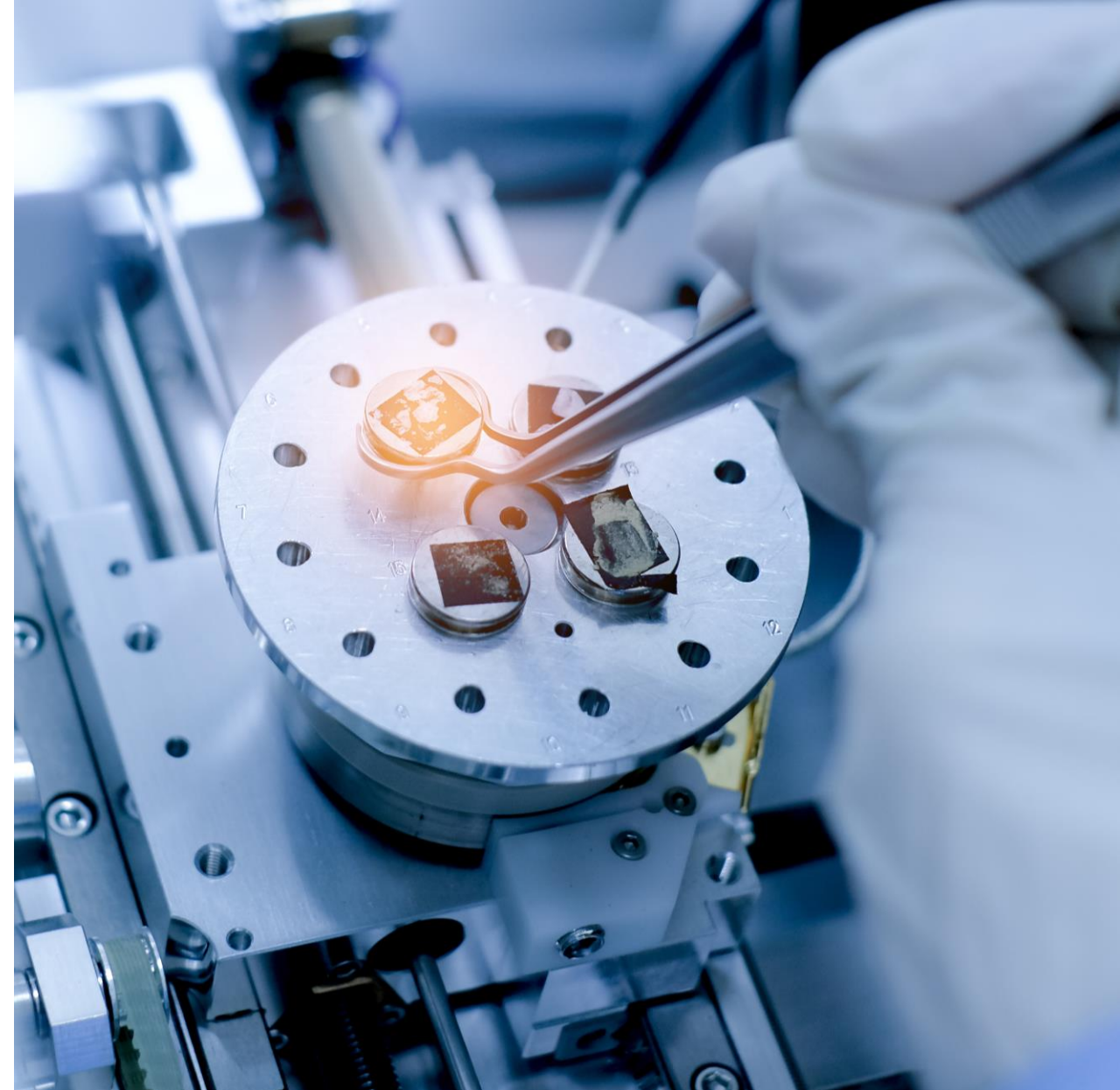
Based on the existing BfArM regulatory approval and the enhanced development structure, Lifecare aim to ensure the complete system integration of all components early in 1H 2022 and initiate the first-in-human trials in 1H 2022.

Research chemistry

The intensified collaboration with the organic chemistry Department of the University of Bath (UK), Prof. Tony James, is expected to conclude compounds required to measure other analytes but glucose using the osmotic-pressure technology of Sencell.

Contract development and opportunities for nanoscale biosensors

Lifecares German newly acquired subsidiary is expected to directly and indirectly position Lifecare in new areas of digital medicine with medical sensor developments - including but not limited to continuous sensing of (blood) pressure, temperature, flow, force, humidity etc. by means of implantable nano-biosensors with wireless data transmission.





Valuedriven milestones

Focus shifting from research to development

Sencell



Nanobiosensors GmbH





Interim statements

Lifecare AS Financial Statements

Period 1-6 2021 - unaudited	2021	2020
OPERATING INCOME	0	0
SALARIES	-221 467	
OTHER PERSONELL EXPENSES	-68 700	
OTHER OPERATING COSTS	-4 970 517	-1 854 377
OPERATING EXPENSES	-5 260 684	-1 854 377
OPERATING RESULT	-5 260 684	-1 854 377
FINANCE INCOME	12 993	9 636
FINANCE COSTS	-76 246	-118 444
NET FINANCIAL ITEMS	-63 253	-108 808
ORDINARY RESULT BEFORE TAXES	-5 323 937	-1 963 184
ORDINARY RESULT	-5 323 937	-1 963 184

Assets

Period 1-6 - 2021 - unaudited	2021	2020
INTANGIBLE ASSETS	212 000	231 000
MACHINERY AND EQUIPMENT	19 208	
INVESTMENTS IN SUBSIDIARIES	6 629 712	
OTHER FIXED FINANCIAL ASSETS	443 194	2 101 639
LOAN DIGITAL DIAGNOSTICS AG	514 825	
TOTAL FIXED ASSETS	7 818 939	2 332 639
RECEIVABLES	788 965	1 340 332
OTHER CURRENT FINANCIAL ASSETS	118 126	211 837
CASH AND CASH EQUIVALENTS	4 857 119	10 654 814
TOTAL CURRENTS ASSETS	5 764 210	12 206 983
TOTAL ASSETS	13 583 150	14 539 622

Liabilities

Period 1-6 - 2021 - unaudited	2021	2020
PAID UP EQUITY	32 511 268	32 370 000
RETAINED EQUITY	-24 508 986	-18 600 504
TOTAL EQUITY	8 002 282	13 769 496
LONG-TERM NOT INTEREST BEARING DEBT TO GROUP COMP.	3 356 661	
TOTAL LONG TERM LIABILITIES	3 356 661	0
ACCOUNTS PAYABLE	1 375 556	733 340
TAX PAYABLE		
VALUE ADDED TAXES	211 245	-106 962
OTHER CURRENT LIABILITIES	637 406	143 748
TOTAL CURRENT LIABILITIES	2 224 207	770 126
TOTAL EQUITY AND LIABILITIES	13 583 150	14 539 622



Cash flow

Period 1-6 2021 - unaudited

2021

CASH FLOW FROM OPERATING ACTIVITIES	
EBIT	-5 323 937
TAX	0
DEPRECIATION	0
CHANGE IN CURRENT ASSETS	- 73 585
CHANGE IN SHORT-TERM LIABILITIES	1 178 051
NET CASH FLOW FROM OPERATING ACTIVITIES	-4 219 471
CASH FLOW FROM INVESTMENT ACTIVITIES	
NEW NON-CURRENT ASSETS	- 19 208
INVESTMENTS IN FIXED FINANCIAL ASSETS	-5 736 832
NET CASH FLOW FROM INVESTMENT ACTIVITIES	-5 756 040
CASH FLOW FROM FINANCING ACTIVITIES	
NEW LONG TERM DEBT	3 356 661
PAID-IN EQUITY	0
DIVIDEND	0
NET CASH FLOW FROM FINANCING ACTIVITIES	3 356 661
NET CASH FLOW TOTAL	-6 618 850
CASH AT BEGINNING OF THE PERIOD	11 475 968
CASH AT THE END OF THE PERIOD	4 857 119

