



ONWARD[®]

Half Year Report
2023

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In this Half Year Report 'ONWARD', 'the Company', 'the Group', 'we', 'us' and 'our' are sometimes used for convenience in contexts where reference is made to ONWARD Medical N.V. and/or any of its subsidiaries in general or where no useful purpose is served by identifying the particular company.



Dear Shareholders, Colleagues, Partners, and Collaborators,

It is a privilege to lead this company, working to make a difference in the lives of the nearly 7 million people worldwide with spinal cord injury (SCI). In the first half of 2023, we continued to execute well against our strategy – advancing development of our technology, enlarging our IP portfolio, validating our therapies through clinical milestones, and strengthening our organizational capabilities.

I would like to highlight several key achievements from the first half of this year:

- In May, we announced a publication in Nature showing that an investigational implanted wireless brain-computer interface (BCI) can use thought to modulate ARC Therapy. A research consortium that included ONWARD reported that when paired with ARC Therapy, an implanted BCI allowed an individual to gain augmented control over when and how he moved his paralyzed legs.
- Also in May, we announced the successful first-in-human use of our investigational ARC^{IM} Lead. The ARC^{IM} Lead delivers targeted electrical pulses to the spinal cord and is a key component of the ONWARD ARC^{IM} system, an innovative platform engineered to deliver ARC Therapy to address multiple indications. The ARC^{IM} Lead is designed to be used with the ARC^{IM} neurostimulator (IPG) and is purpose-built for placement along the spinal cord to restore movement and function in people with SCI.

Shortly before publication of this report and for the first time in human history, an investigational implanted wireless brain-computer interface was paired with our ARC^{IM} system to enable a person with SCI to restore control of paralyzed upper limbs with thought-driven movement.

We have also taken the difficult but correct decision to update the ARC^{EX} system circuit board assembly. While we share the disappointment of the SCI community that this decision will impact launch timing, now expected in 2H 2024, our cash guidance remains unchanged. We are also increasingly well prepared for launch after recent agreements with a third-party logistics partner that provides rapid access to US government procurement vehicles.

Thank you for your continued support as we work passionately to help the SCI community.

Dave Marver



Business Review

In the first half of 2023, we continued to execute on our strategy to research, develop and commercialize novel therapies that restore movement and other functions in people with SCI. Our key operational highlights for the first half of 2023 include the following:

Science & Intellectual Property

- Together with our research partners at EPFL and Lausanne University Hospital (CHUV), we made dramatic new discoveries that have the promise to help people with SCI and other movement disabilities.
- The Company was issued 39 new patents in 1H, bringing its total number of issued or pending patents to more than 360 and strengthening our first-mover advantage.

Clinical Development

The first half of 2023 also marked several key milestones on our clinical roadmap:

- The Company was awarded three new Breakthrough Device Designations (BDD) from the U.S. Food and Drug Administration (FDA). In February, the Company announced BDDs awarded for the use of its ARC^{EX} platform for bladder control, alleviation of spasticity, and blood pressure regulation in people with SCI. In May, the Company received an additional BDD for its ARC^{IM} platform for spasticity in people with SCI. Breakthrough Device Designation is an FDA program aimed at helping patients and their clinicians receive timely access to new treatments. The Company now has a total of 9 BDDs, which affords it priority FDA review and the opportunity to interact with FDA experts throughout the pre-market review phase as the technology moves toward commercialization.

- In April 2023, at the American Academy of Neurology Annual Meeting, Dr. James Guest, Professor of Neurological Surgery at the University of Miami and the Miami Project to Cure Paralysis, shared additional results from the Up-LIFT pivotal study that investigated ARC^{EX} Therapy for improving upper extremity strength and function after SCI. In addition to meeting all primary safety and effectiveness endpoints, the study demonstrated that 72% of participants responded to ARC^{EX} Therapy.
- May marked the first-in-human use of the Company's ARC^{IM} Lead, which was used with our investigational implantable ARC^{IM} system as part of the ongoing HemON study to evaluate use of ARC^{IM} Therapy to better regulate blood pressure after SCI. ONWARD is developing a portfolio of ARC^{IM} Leads in a range of sizes, shapes, and electrode arrays for the many indications the Company is developing or exploring, such as improved blood pressure management, mobility, upper extremity function, and bladder control. The ARC^{IM} Lead was specifically designed to stimulate the spinal cord anatomy responsible for restoring movement and function in people with SCI.
- In May, the Company also announced its ARC Therapy was paired with the use of an investigational implanted wireless brain-computer interface (BCI) to enable an individual to gain augmented control over when and how he moved his paralyzed legs. This breakthrough was published in the journal Nature and highlighted in major media outlets around the globe.





Corporate

We continued to enhance our organizational capabilities and augment our leadership team in preparation for commercialization of our first-ever therapy, expected in 2H 2024:

- In January, the Company strengthened its leadership team, appointing Erika Ross Ellison as Vice President, Global Clinical & Regulatory, and Sarah Moore as Vice President, Global Marketing. Erika came to ONWARD from Abbott Neuromodulation, where she was Director, Global Clinical & Applied Research. She also served as Deputy Director, Medical Device Innovation Accelerator, Department of Surgery and Assistant Professor, Department of Neurologic Surgery at the Mayo Clinic. Sarah came to ONWARD from Nevro, an implantable neuromodulation company, and has more than 20 years of experience in new product development and commercial marketing in the medical device industry, including at Johnson & Johnson.
- In May, the Company confirmed its expectation that it had sufficient cash runway through the end of 2024.
- Also in May, Bryan, Garnier & Co, a leading investment bank focused on growth companies, reinitiated research coverage on the Company with a Buy rating. The Company is also covered by equity research at Degroof Petercam and Kepler Cheuvreux.



Financial Review

EUR' Million	2023	2022
<i>For the six-month period ended, 30 June</i>	Unaudited	Unaudited
Total Revenues & Other Incomes	0.9	1.0
Research & Development Expenses	(7.6)	(6.2)
Clinical & Regulatory Expenses	(2.2)	(3.0)
Marketing & Market Access Expenses	(1.6)	(0.9)
Patent Fees & Related Expenses	(1.0)	(0.7)
Quality Assurance Expenses	(0.8)	(0.5)
General & Administrative Expenses	(6.5)	(4.8)
Total Operating Expenses	(19.7)	(16.1)
Operating Loss for the Period	(18.8)	(15.1)
Net Finance Expenses	(0.4)	(0.9)
Income Tax Expense	(0.0)	(0.0)
Net loss for the Period	(19.2)	(16.0)
At	30 June 2023*	31 December 2022
Cash positions at end of period	43.8	61.8
Interest-bearing loans	(14.3)	(12.7)
Equity	34.3	52.6

*30 June 2023 values are unaudited

Total Revenues & Other Income

Other income totaled EUR 0.9 million in 1H 2023, consisting of royalties and income recognized for ongoing grants.

Total Operating Expenses

1H 2023 Operating Expenses of EUR 19.7 million came in EUR 3.6 million above prior year. Research & Development expenses increased by EUR 1.4M due to advancements made on our ARC^{EX} and ARC^{IM} platforms. As the company prepares for FDA submission and commercialization of ARC^{EX}, costs for Quality, Operations (included in General & Administrative), Marketing, and Market Access increased by EUR 2.5 million. Clinical & Regulatory expenses decreased by EUR 0.7 million since H1 2022 following the completion of the Up-LIFT pivotal and LIFT Home clinical trials in H2 2022.

Net Finance Expense

Net Finance Expense decreased during the first six months of 2023 by EUR 0.5 million compared to H1 2022. The expense for the first half of 2022 relates to the innovation loan from RVO NL and bank interest paid on the positive cash balance. In the second half of 2022 the Company adopted a strategy to invest excess cash in short-term EUR deposits, resulting in positive interest earned on the cash balance, which offset costs for the RVO NL loan in 2023.

Net Cash Position

The Company ended the six-month period with a positive cash balance of EUR 43.8 million on 30 June 2023 (31 December 2022: EUR 61.8 million). The decrease in cash of EUR 18 million compared to 31 December 2022 is due to cash outflows for operating activities.



Interest-bearing Loans

Interest-bearing Loans increased from 31 December 2022 by EUR 1.6 million to EUR 14.3 million. The increase is due to an increase in the loan capital amount of EUR 1 million and the interest that accumulated on the innovation loan from RVO NL (Dutch government).

Equity

The Company's positive Equity position of EUR 52.6 million on 31 December 2022 decreased to EUR 34.3 million on 30 June 2023. The decrease related to the operating loss for the period of EUR 19.2 million and the foreign currency translation impact of US and Swiss operations. This is offset by an increase in the reserve related to share-based payment of EUR 1.2 million.

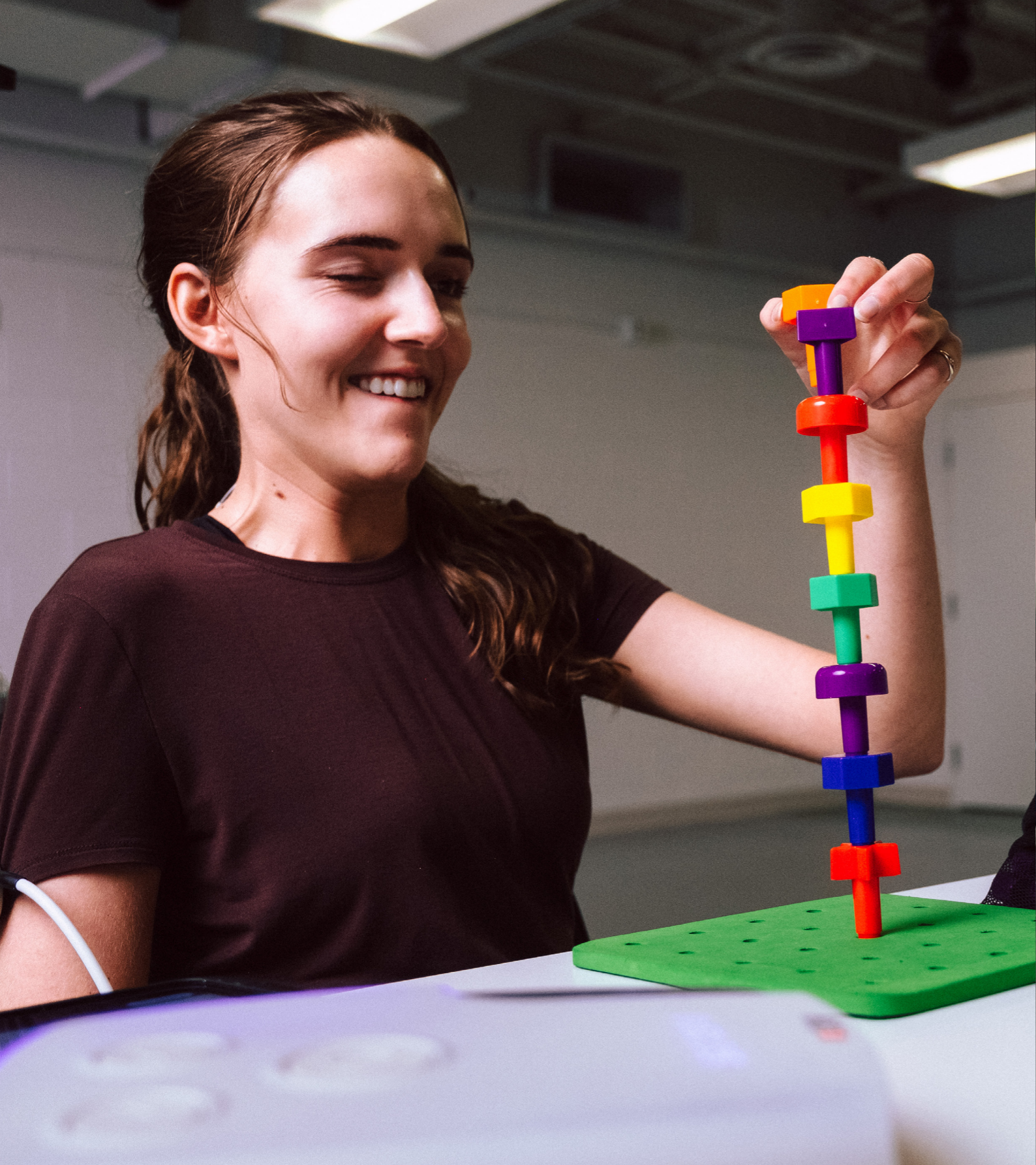


2023 Outlook

We expect to continue the steady and consistent execution of our strategy in the second half of 2023.

- August marked the successful first-in-human use of our investigational ARC[™] BCI platform. This also marked the start of a clinical feasibility study with our partners at CEA-Clinattec, CHUV, and EPFL to investigate the ability of a brain-computer interface (BCI) to communicate with our ARC[™] system to enable a person with SCI to control when and how they move their upper limbs. This program, supported by a grant from the European Innovation Council, will continue through 2024.
- The Company plans to submit a *de novo* application for FDA clearance for the ARC^{EX} system in 2024 and is continuing to prepare for launch of this therapy, which would be the Company's first commercial offering. In Q3, we forged agreements with a US Service-Disabled Veteran-Owned Small Business (SDVOSB) third-party logistics (3PL) provider which will provide ONWARD with rapid access to US government purchasing vehicles shortly after FDA clearance.
- With a strong balance sheet, we expect our current cash position to fuel operations through the end of 2024. In 2H 2023, we plan to explore opportunities to further strengthen our cash position to support future investments in product development, clinical trials, and operational & commercial capabilities.





Condensed Consolidated Interim Financial Statements

Profit & Loss

All amounts in EUR '000	Notes	For the six-month period ended, 30 June	
		2023 Unaudited	2022 Unaudited
Grants & Other Income		928	963
Total Revenues & Other Income		928	963
Research & Development Expenses		(7,638)	(6,215)
Clinical & Regulatory Expenses		(2,177)	(3,034)
Marketing & Market Access Expenses		(1,568)	(867)
Patent Fees & Related Expenses		(950)	(689)
Quality Assurance Expenses		(799)	(466)
General & Administrative Expenses		(6,576)	(4,796)
Total Operating Expenses		(19,708)	(16,068)
Operating Loss for the Period		(18,780)	(15,105)
Financial Expense		(457)	(855)
Net Finance Cost		(457)	(855)



Loss for the Period Before Taxes		(19,237)	(15,960)
Income tax expense	11	(45)	(35)
Net Loss for the Period		(19,282)	(15,995)
Attributable to:			
Equity holders of the parent		(19,282)	(15,995)
		(19,282)	(15,995)
Earnings Per Share (€):	9		
Basic earnings per ordinary share attributable to shareholders		(0.64)	(0.53)
Diluted earnings per ordinary share attributable to shareholders		(0.64)	(0.53)



Comprehensive Income

All amounts in EUR '000	Notes	For the six-month period ended, 30 June	
		2023 Unaudited	2022 Unaudited
Net Loss for the Period			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(19,282)	(15,995)
Other comprehensive income		–	–
Currency translation differences		–	801
		(250)	587
Other comprehensive income that will be reclassified to profit or loss in subsequent periods		(250)	1,388
Total Comprehensive Result for the Year, Net of Tax		(19,532)	(14,607)
Attributable to:			
Equity holders of the parent		(19,532)	(14,607)
		(19,532)	(14,607)

Financial Position

<i>All amounts in EUR '000</i>	Notes	30 June 2023 Unaudited	31 December 2022 Audited
Assets			
Non-Current Assets		12,294	12,417
Intangible fixed assets	6	9,996	10,158
Property, plant and equipment		609	415
Right of use assets		1,521	1,681
Deferred tax assets		168	163
Current Assets		46,734	64,176
Indirect tax receivables		540	709
Receivable from related parties	13	228	251
Other current assets		2,177	1,456
Fixed term deposits		25,000	20,000
Cash and cash equivalents		18,788	41,760
		59,027	76,593

Equity & Liabilities

Equity & Reserves

Issued capital	9	3,622	3,622
Share premium		155,248	155,249
Other reserves	9,8	3,000	2,079
Retained earnings		(127,601)	(108,319)

Total Equity Attributable to Shareholders

34,270 **52,631**

Non-Current Liabilities

17,180 **15,741**

Interest-bearing loans	7	14,282	12,656
Deferred tax liability		662	670
Lease liability		1,085	1,294
Post-employment benefits		1,151	1,121

Current Liabilities

7,577 **8,221**

Income tax liabilities		76	219
Lease liability		485	427
Trade payables	12	2,321	1,909
Other payables	12	4,695	5,666

59,027 **76,593**

The above balance sheet should be read in conjunction with the accompanying notes.



Changes in Equity

All amounts in EUR '000	Notes	Issued Capital	Share Premium	Other Reserves	For the six-month period ended, June 30	
					Retained Earnings	Total Equity
At 1 January 2023		3,622	155,249	2,079	(108,319)	52,631
Loss for the period		-	-	-	(19,282)	(19,282)
Other comprehensive income		-	-	(250)	-	(250)
Total comprehensive result		-	-	(250)	(19,282)	(19,532)
Share based payments		-	-	1,171	-	1,171
At June 30, 2023 (Unaudited)	9	3,622	155,249	3,000	(127,601)	34,270

All amounts in EUR '000	Notes	Issued Capital	Share Premium	Other Reserves	For the six-month period ended, June 30	
					Retained Earnings	Total Equity
At 1 January 2022		3,622	155,249	(214)	(75,974)	82,683
Loss for the period		-	-	-	(15,995)	(15,995)
Other comprehensive income		-	-	587	801	1,388
Total comprehensive result		-	-	587	(15,194)	(14,607)
Share based payments		-	-	779	-	779
At June 30, 2022 (Unaudited)	9	3,622	155,249	1,152	(91,168)	68,854

Cash Flows

All amounts in EUR '000	Notes	For the six-month period ended 30 June	
		2023 Unaudited	2022 Unaudited
Loss for the Period Before Taxes		(19,237)	(15,960)
Adjusted for:			
◦ Depreciation and impairment of property, plant and equipment and right-of-use assets		329	343
◦ Share based payment transaction expense		1,171	779
◦ Post-employment benefits		22	98
◦ Net finance costs		404	844
◦ Net foreign exchange differences		-	(11)
◦ Other non-cash items		61	103
Changes in working capital:			
Increase in Trade and other receivables		(566)	(545)
(Decrease) / Increase in Trade and other payables		(713)	2,493
Interest received		237	-
Interest paid		-	(246)
Bank charges paid		(9)	(35)
Income tax paid		(91)	(12)
Net cash used in operating activities		(18,391)	(12,147)

Cash flows from investing activities

Investments in fixed assets	(287)	(154)
Investments in intangible fixed assets	(16)	(12)
Investments in fixed term deposits	(5,000)	-

Net cash generated/(used) from investing activities	(5,303)	(166)
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Cash flows from financing activities

Proceeds from borrowings	1,037	-
Payment of principal portion of lease liabilities	(263)	(315)

Net cash generated/(used) from financing activities	775	(315)
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Movement in cash and cash equivalents

Cash and cash equivalents at 1 January	41,760	89,443
Effect of exchange rates on cash and cash equivalents	52	26
Changes in cash and cash equivalents during the period	(22,920)	(12,629)

Cash and cash equivalents at 30 June	18,788	76,841
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Notes

1. General Information

ONWARD Medical B.V. was a Dutch private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid), incorporated on 20 November 2015. On 21 October 2021 (the First Trading Date) the Company completed a corporate conversion, converting into a public limited company under Dutch law (naamloze vennootschap). The legal name changed to ONWARD Medical N.V. (“ONWARD”). The registered office is located at Schimmelt 2, Eindhoven, the Netherlands. ONWARD Medical N.V. is registered in the Commercial Register of the Chamber of Commerce under number 64598748.

ONWARD and its subsidiaries (the “Group”) are developing implantable and non-invasive neuromodulation systems to deliver the company’s proprietary therapies to the spinal cord.

These Condensed Consolidated Interim Financial Statements are comprised of statements for ONWARD and its two wholly owned subsidiaries: ONWARD Medical SA (incorporated in Switzerland) and ONWARD Medical Inc. (incorporated in the United States of America).

The interim financial statements of ONWARD Medical N.V. and its subsidiaries for the six months ended 30 June 2023 have not been audited or reviewed. The interim consolidated financial statements were authorized for publication by the Board on 18 September 2023.

2. Basis of Preparation

The Company’s Condensed Consolidated Interim Financial Statements (“Interim Financial Statements” or “Interim Report”) for the six-month period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting as endorsed by the European Union (“IFRS”) and should be read in conjunction with the Company’s last annual consolidated financial statements as at and for the year ended 31 December 2022.

The significant accounting policies used in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements as of and for the year ended 31 December 2022.

The Interim Financial Statements are presented in thousands of euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated, and for the number of shares and the per share amount. Due to rounding, amounts may not add up to totals provided.

The preparation of the Interim Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, are areas where assumptions and estimates are significant to the Consolidated Financial Statements. The critical accounting estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements as of and for the year ended 31 December 2022.



3. Continuity of the Group

As of 30 June 2023 the Company had a net cash position of EUR 43.8 million. Based on cash flow forecasts for the years 2023 and 2024, which include significant expenses and cash outflows in relation to commercial readiness, the continuation of research and development projects and upcoming clinical trials, the Company believes that this cash position will be sufficient to meet the Company’s capital requirements and fund its operations for at least 12 months as from the date of this Interim Report.

Inherent uncertainties in these forecasts may have an impact on the Company’s cash position. To continue development and commercialization as planned, the Company will likely need to attract additional funding in future. Please note that the Company’s long-term success is contingent on achieving FDA clearance or approval and CE mark for its therapies.

In view of the above, and notwithstanding a loss brought forward of EUR 127.6 million as of 30 June 2023, the application of the valuation rules in the assumption of a going concern is justified. As a result, the Interim Financial Statements have been prepared on a going concern basis.

4. Standards Issued but not yet Effective

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group’s Annual Consolidated Financial Statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the Interim Financial Statements of the Group.

5. Segment Reporting

Based on the organizational structure, as well as the nature of financial information available and reviewed by the Company’s chief operating decision-makers to assess performance and make decisions about resource allocations, the Company has concluded that its total operations represent one reportable segment and that the consolidated disclosures address the requirements.

6. Intangible Fixed Assets

	30 June 2023	31 December 2022
	Unaudited	Audited
Goodwill	1,869	1,902
In-Process R&D	5,771	5,873
License fees	2,356	2,383
Closing net book value	9,996	10,158

The Company has reviewed whether changes in market conditions require an update to the impairment assessment performed in December 2022 and concluded that no update is required.



7. Financial Liabilities

7.1 Interest Bearing Loans

Innovation Loan

On 5 February 2016, the Group was granted a loan from RVO NL (Dutch Government) of EUR 10 million payable according to a set repayment scheme.

	30 June 2023 Unaudited
Loan opening balance (at 31 December 2022)	12,656
Loan amount received	1,037
Interest accrued during the period	589
Closing net book value	14,282

The loan carries interest at 10%.

The current repayment plan for the loan is as presented below:

Date	% of Loan amount
1 January 2026	15.0
1 April 2026	15.0
1 July 2026	17.5
1 October 2026	17.5
1 January 2027	17.5
1 April 2027	17.5
1 July 2027	All due interest

Certain assets, including Intellectual Property and In-process R&D, have been pledged to RVO NL in case of default of repayment of the loan. These patents have not been capitalized as of 30 June 2023.

7.2 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated Financial Statements for the year ended 31 December 2022.

Fair Value Hierarchy

The valuation techniques and inputs used to develop measurements for financial liabilities are consistent with those disclosed in the Consolidated Financial Statements for the year ended 31 December 2022.

The carrying amounts and fair values of the Group's financial instruments are as follows, including its fair value hierarchy:

Balance at 30 June 2023	Carrying Amount	Fair Value
Financial liabilities		
Innovation credit loan (Level 2)	14,282	15,388
Total financial liabilities	14,282	15,388

Balance at 31 December 2022	Carrying Amount	Fair Value
Financial liabilities		
Innovation credit loan (Level 2)	12,656	13,689
Total financial liabilities	12,656	13,689



There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Management has assessed that the fair values of cash and cash equivalents, accounts payable, taxes and social securities and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following table details the remaining undiscounted contractual maturity for the Company's financial liabilities with agreed repayment periods, including both interest and principal cash flows:

At 30 June 2023

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Innovation loan	-	3,000	17,829	-	20,829
Lease liability	543	1,266	-	-	1,809
Trade payables	2,321	-	-	-	2,321
Total (Unaudited)	2,864	4,266	17,829	-	24,959

At 31 December 2022

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Innovation loan	-	-	19,298	-	19,298
Lease liability	512	1,452	-	-	1,964
Trade payables	1,909	-	-	-	1,909
Total	2,421	1,452	19,298	-	23,171

8. Issued Capital & Reserves

The authorized share capital ("maatschappelijk kapitaal") amounts to EUR 12.225 million divided into 50,937,500 Ordinary Shares and 50,937,500 Preferred Shares with a nominal value of EUR 0.12 each. At 30 June 2023, 30,184,388 Ordinary Shares were issued (31 December 2022: 30,184,388 shares). All of the issued Ordinary Shares are fully paid-up and represent capital in the Company. No Shareholders have any voting rights different from any other Shareholder.

Other Reserves

	Share-based Payments	Currency Translation Differences	Total
Balance at 1 January 2023	1,760	319	2,079
Share based payment expense for the period	1,171	-	1,171
Currency translation differences	-	(250)	(250)
Balance at 30 June 2023 (Unaudited)	2,931	69	3,000
Balance at 1 January 2022	69	(283)	(214)
Share based payment expense for the period	779	-	779
Currency translation differences	-	587	587
Balance at 30 June 2022 (Unaudited)	848	304	1,152

9. Loss per Share

The objective of determining diluted EPS is to reflect the maximum possible dilutive effect arising from potential ordinary shares outstanding during the period. The Group has stock option plans that may be settled in ordinary shares of the Group, and which are considered anti-dilutive considering the Group is currently loss making. Therefore, diluted EPS is disregarded.



There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these Interim Condensed Consolidated Financial Statements.

The following tables reflect the income and share data used in the EPS calculation:

Profit (Loss) Attributable to Ordinary Shareholders

	2023 Unaudited	2022 Unaudited
Profit (loss) for the year, attributable to equity holders of the parent	(19,282)	(15,995)

Weighted-average Number of Ordinary Shares

	2023 Thousands	2022 Thousands
Weighted average number of ordinary shares for basic EPS	30,184	30,184
Weighted average number of ordinary shares for basic EPS (adjusted*)	30,184	30,184

10. Share-based Payments

	30 June 2023 Unaudited	30 June 2022 Unaudited
Opening balance	1,760	69
Addition to the reserve	1,171	779
Closing balance	2,931	848

Long-term incentive Plan (LTIP)

The LTIP plan aims to align the Employee’s interest with the interests of the Shareholders and to allow the employee to participate in the long-term growth of the Company. The LTIP is an omnibus plan with the flexibility to issue different type of equity incentives. ONWARD awarded options over its ordinary shares to participants (referred to as the “Award” or “Grant”) on the Grant Dates as specified in the table below. Each option represents the right to receive one ordinary share of ONWARD against payment of the exercise price. The options expire 10 years after the Grant Date and become exercisable on vesting. The Grant is subject to continued provision of services to the Company under a graded vesting schedule, with 25% of the Grant vesting on the first anniversary of the Grant Date, and the remaining 75% of the Grant vesting in equal, monthly tranches over the 3 years following the first anniversary of the Grant Date (2.083% per month). The number of Options that will vest and become unconditional is only subject to a continued service condition. All options granted have the same conditions. Options do not settle automatically and are exercised at the option of the participant.

Financial Year	Grant Date	Type of Security	Number of Options Granted	Exercise Price	Expiration Date	Fair Value
2021	15/12/2021	Stock Options	612,000	EUR 9.70	15/12/2031	EUR 4.89
2022	01/04/2022	Stock Options	169,800	EUR 7.64	01/04/2032	EUR 4.18
2022	26/09/2022	Stock Options	166,350	EUR 5.70	26/09/2032	EUR 3.19
2023	03/01/2023	Stock Options	978,050	EUR 6.12	03/01/2033	EUR 3.37
2023	28/02/2023	Stock Options	132,000	EUR 4.95	28/02/2033	EUR 2.72



The following parameters were used in the option model for the calculation of the fair value of the options per grant in 2023:

	2023 – 01	2023 – 02
Fair value on date of measurement (EUR)	3.37	2.72
Share price (EUR)	6.12	4.97
Exercise price (EUR)	6.12	4.95
Expected volatility	57.8%	57.2%
Term of the option	4 ^a	4 ^a
Expected dividend	–	–
Risk-free interest rate	2.4%	2.4%
Time to expiration	10	10

The weighted average fair value of the options granted during the six months ended 30 June 2023 was EUR 3.29 (year ended 31 December 2022: EUR 3.69).

For the six months ended 30 June 2023, the Group has recognised EUR 1.17 million of share-based payment expense in the statement of profit or loss (30 June 2022: EUR 0.78 million).

11. Income Taxes

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management’s best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management’s estimate of the effective tax rate for the annual financial statements.

The Group’s consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2023 was (0.2%) (six months ended 30 June 2022: (0.2%)).

The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	2023	2022
Current income tax	(46)	(35)
Deferred income tax	1	–
Total corporate income tax in profit and loss	(45)	(35)

12. Trade & Other Payables

The increase in trade payables is driven by R&D activities relating to ARC^{EX} in preparation for FDA de novo clearance and other activities across the organization for commercial readiness.

The decrease in other payables is due to the recognition of grants received in advance over time and the bonus accrual for six months at the end of June 2023 as opposed to a full year at the end of December 2022.

13. Related Party Transactions

Receivables from related parties result from the settlement of withholding taxes on behalf of employees related to the EIP (Employee Investment Plan).



Except as disclosed, there are no material changes to the Group’s related parties, related party transactions (including their terms and conditions) and future obligations towards related parties, compared to 31 December 2022. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in the notes.

Remuneration of Key Management

	30 June 2023	30 June 2022
	Unaudited	Unaudited
Salary, bonuses and other (short-term employee benefits)	2,392	2,054
Pension premiums (post-employment benefits)	86	76
Share based payments	1,235	698
Net liability	3,713	2,827

14. Commitments & Contingencies

Legal Claim Contingencies

At 30 June 2023, the Group had no legal claim contingencies.

Guarantees

The Group has provided a guarantee to Wincasa for EUR 290k and EUR 8k to SPACES as collateral for the lease of its office spaces.

Royalties

The Group has entered into three license agreements with EPFL that will require royalty payment in the event the Company is able to generate revenues in the future for products directly linked to these licenses. The royalty scheme with EPFL is based on net sales.

On 27 September 2019 Neurorecovery Technologies Inc. (now ONWARD Medical Inc.) entered into a license agreement with the Regents of the University of California acting through Technology Development Group UCLA Campus granting an exclusive license on certain patents in certain fields of neuromodulation and spinal cord stimulation and a

non-exclusive license on certain other patent rights. Various revenue milestone payments are due under the exclusive license and fixed royalty payments are due under the non-exclusive license. The agreement contains various milestone and diligence obligations ranging from USD 10k to USD 50k payable upon entering a phase III clinical trial, regulatory approval and/or first commercial sale.

On 8 October 2019 Neurorecovery Technologies Inc. (now ONWARD Medical Inc.) entered into a license agreement with the California Institute of Technology (“Caltech”), the latter on behalf of various intellectual property owners, including UCLA, University of Louisville, DEI and USC, granting an exclusive license on certain technology in certain fields of epidural and transcutaneous neuromodulation and a non-exclusive license of certain other intellectual property. Various revenue milestone payments, diligence obligations and fixed royalty payments are due under the license. These payments range from USD 20k to USD 75k payable upon FDA approval, CE mark and/or first commercial sale.

15. Events after the Reporting Period

On 3 July 2023 the Group granted 268,175 stock options to employees with an exercise price of EUR 5.18. The conditions of the existing plan as explained in Note 10 applies to this grant.



Board's Statements on the Interim Consolidated Financial Statements

Board's Statements on the Interim Condensed Consolidated Financial Statements for the 6 Months Ended 30 June 2023

We have prepared the interim condensed consolidated financial statements for the six months ended 30 June 2023 of ONWARD Medical N.V..

To the best of our knowledge:

- The interim condensed consolidated financial statements prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities and financial position at 30 June 2023, and of the results of our consolidated operations for the first half year of 2023.
- The half year report related to the first half year 2023 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

Lausanne, 18 September 2023 – Board of Directors

Overview of Risks

In the Directors' Report in our Annual Report 2022 we set out an overview of our primary strategic, operational, legal and compliance and financial risks. Financial risks are also described in more detail in the notes to the Consolidated Financial Statements 2022 (Note 4.3).

Risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

In the first six months of 2023, there has been no material change in the identified risks as described in the Annual Report 2022 and we have no indication this will significantly change during the remaining six months of the financial year 2023.

Forward-Looking Information / Statements

Certain statements, beliefs, and opinions in this document are forward-looking, which reflect the Company’s or, as appropriate, the Company directors’ current expectations and projections about future events. In particular, the words ‘expect’, ‘anticipate’, ‘estimate’, ‘may’, ‘should’, ‘could’, ‘would’, ‘believe’, ‘outlook’, ‘potential’, ‘will’, ‘planned’, ‘pipeline’, ‘seek’ and similar expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve several risks, uncertainties, and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

These risks, uncertainties, and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, supplier performance, competition, regulatory review timelines and outcomes, and technology, can cause actual events, performance, or results to differ significantly from any anticipated development. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management and control section of the 2022 Annual Report. Forward-looking statements contained in this Half Year Report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. As a result, the Company expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements

in this press release as a result of any change in expectations or any change in events, conditions, assumptions, or circumstances on which these forward-looking statements are based. Neither the Company nor its advisers or representatives nor any of its

subsidiary undertakings or any such person’s officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in this document or the actual occurrence of the forecasted developments. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document. All ONWARD devices and therapies referenced here, including but not limited to ARC^{IM}, ARC^{EX}, and ARC Therapy, alone or in combination with BCI, are investigational and not available for commercial use.



Definitions & Abbreviations

BCI

Brain-Computer Interface - a device that records brain signals and sends them to a computer which can also be a spinal cord stimulator such as ARC™ which uses the brain signals to restore and control movement

Caltech

California Institute for Technology

CE

Conformité Européenne

CHUV

Centre Hospitalier Universitaire Vaudois

EPFL

École Polytechnique Fédérale de Lausanne

Epidural

Placed or administered outside the dura mater

FDA

U.S. Food and Drug Administration

Hypotension

Lower blood pressure than normal range

IPG

ONWARD implantable pulse generator

LTIP

Long-Term Incentive Plan

Net cash

Net cash is defined as the sum of cash and cash equivalents and fixed term deposits included in the current assets as included in consolidated statement of financial position in the Financial Statements

Neuromodulation

Field of bioengineering implicating technologies impacting neural interfaces

RVO

Rijksdienst voor Ondernemend Nederland

SCI

Spinal Cord Injury – damage to the nerves in the spine that circulate signals from the brain to and from the body that can be caused by a trauma or a disease and may lead to temporary or permanent dysfunction

Transcutaneous

Penetrating through the skin - transcutaneous stimulation is stimulation delivered through the skin via electrodes placed on the skin

UCLA

University of California, Los Angeles

Up-LIFT

Title of a pivotal trial using the Company's ARC^{EX} System

ONWARD EMPOWERING
MOVEMENT