

AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

Medartis increases revenue by 18% (CER) to CHF 183 million and continues to invest in future growth

- Net sales increased by 17.8% (CER) to CHF 182.8 million in 2022 in line with mid-year guidance
- Organic growth¹ of 14.6% was driven by double-digit growth in EMEA, US and LATAM
- APAC business still suffering from aftermath of pandemic
- Underlying² EBITDA margin excl. one-off costs decreased to 12.8% (2021: 17.2%), reflecting additional OpEx expenses from Nextremity Solutions (NSI)
- Reported net loss of CHF 5.8 million (EPS -0.49) reflects one-off costs from US integration and closure in China
- Stake in KeriMedical to be increased to 47%
- Medartis expects accelerated organic sales growth of 15-18% and EBITDA margin to improve to 13-15% for 2023

Full-year 2022 key financials

in CHF million, rounded	FY 2022			FY 2021 Reported	Underlying YoY change in %	
	Reported	One-off effects	Underlying ²		in CHF	CER
Net sales	182.8		182.8	159.9	14.4%	17.8%
Gross profit	149.5		149.5	134.1	11.6%	15.6%
EBITDA	16.2	(7.2)	23.4	27.4	(14.9%)	(2.8%)
EBIT	(1.9)	(7.2)	5.3	11.1	(51.8%)	(31.9%)
Net profit / loss	(5.8)	(7.2)	1.5	6.8		
Headcount	866			684		13.5% ³
Margins in % of sales					Change in percentage points	
Gross profit	81.8%		81.8%	83.9%	(2.1 PP)	(1.7 PP)
EBITDA	8.9%		12.8%	17.2%	(4.4 PP)	(2.7 PP)
EBIT	(1.1%)		2.9%	6.9%	(4.0 PP)	(2.1 PP)
Net profit / loss	(3.2%)		0.8%	4.3%		

¹ CER (=constant exchange rates) excludes currency effects between two reporting periods. Unless otherwise stated, Medartis generally expresses growth rates at CER. Organic growth refers to growth achieved through internal initiatives and therefore excludes effects from mergers, acquisitions, divestitures in addition to FX.

² The term "underlying" in this report excludes one-off costs of CHF 7.2 million related to the recent NSI acquisition and the discontinued China business. To present the operating performance on a comparable basis, the company believes this adjustment is appropriate.

³ Excluding employees who joined Medartis with the NSI acquisition and who were affected by the business closure in China. Overall, headcount grew by 27%.

Basel, 14 March 2023: Medartis Holding AG (SIX: MED), an orthopaedic company specialising in head and extremity surgery, today reported 2022 net sales growth of 17.8% (CER). The EMEA business made the largest contribution to this growth with an increase of 17.3%, strengthening its competitive position. Latin America was again the fastest-growing territory (+27.7%) and the subdued growth trend in the APAC region (3.5%) continued in H2, reflecting reduced hospital capacity for elective procedures due to prolonged COVID-19 recovery in Australia. The growth momentum in the USA led to organic growth of 12.8% (CER 28.7%).

The reported EBITDA margin in 2022 decreased to 8.9% and excluding CHF 7.2 million one-off costs related to the recent NSI acquisition and the divestiture of its China business, the underlying margin amounted to 12.8%. The double-digit sales growth helped to mitigate some of the impact of higher operating expenses (OpEx) on margins. As part of the NSI acquisition, 97 employees in the areas of R&D, quality management, regulatory affairs, and manufacturing were taken on. Since the acquisition in May, Medartis US also made important strategic investments to enhance and grow its sales management, marketing, and sales support functions.

Medartis CEO **Christoph Brönnimann** commented: “Despite the volatile business environment, I am proud that we have been able to gain further market share. We are reporting double-digit growth in three of our four regions. LATAM and EMEA were strong performers and expanded their competitive positions, while APAC still struggled with low activity levels in elective procedures for most of the year. Despite double-digit organic growth, it was a year of change for us in the US. With a focus on sustainable growth, we consolidated our regional headquarters into a single location in Warsaw, Indiana. We have established a new leadership team and enlarged our distribution network as planned. Additionally, we are accelerating the pace of product launches in the US and elsewhere. Our efforts are being made with urgency, and we expect these measures to have a growing impact as the year progresses.”

STRATEGIC STEPS

In September, Medartis signed an exclusive global distribution partnership with Australia-based **Field Orthopaedics**. This strategic partnership includes the addition of the NX Nail system to Medartis' comprehensive hand portfolio, which comprises a range of threaded intramedullary nails and instruments for use in fractures, osteotomies, and non-union revisions in the hand and forearm. The NX Nail system addresses surgeon's growing need for an efficient, less invasive treatment that enables rapid recovery of patients after a finger fracture. NX Nail is the most comprehensive hand nailing system on the market and offers Medartis customers additional treatment options alongside plates and CCS screws. This agreement provides Medartis with additional growth opportunities in the US extremity market and potentially in other countries once regulatory approvals are obtained. Following the signing of the agreement, Medartis made its first sales in the US in Q4.

Strengthen ties with KeriMedical

To strengthen its ties with its strategic partner KeriMedical, Medartis increased the stake in the company from 25% originally to just under 30% in 2022. It also recently signed an agreement with the private founders

to purchase an additional 18% stake at a price of approx. CHF 18 million. This increase in ownership to 47% is another step in Medartis' strategy to become a one-stop shop for hand and wrist solutions and to increase its presence in joint replacement for extremities. It allows both companies not only to leverage their KOL relationships, but also to benefit from each other's expertise in development, regulatory affairs and innovation. The founding shareholders will retain control of KeriMedical SA under this agreement. The additional share purchase is expected to be completed by the end of the first or beginning of the second quarter and will be financed from existing cash resources, credit lines and/or additional financing options.

REGIONAL PERFORMANCE

Table: Revenue development per region

in CHF million, rounded	FY 2022	FY 2021	Change in CHF vs. PY	Change in CER vs. PY
EMEA	91.4	83.4	9.6%	17.3%
US	41.0	30.8	33.3%	28.7%
APAC	32.1	32.0	0.3%	3.5%
LATAM	18.3	13.7	33.6%	27.7%
Total Group	182.8	159.9	14.4%	17.8%

In the **EMEA region**, Medartis' business developed very favourably. With year-on-year growth of 17.3% (CER), full-year sales reached CHF 91.4 million. A currency headwind of almost 8 percentage points squeezed growth in Swiss francs. The DACH region, where Medartis already has a large market share in upper extremities, grew again by more than 10%. Growth in France, the UK, Poland and Spain was over 20%, making them among the fastest growing markets. The subsidiary in Spain, which was founded in 2020, doubled the size in just one year and has signed agreements with most health insurance companies. These results were driven mainly by commercial execution, further share gains in core hand and wrist systems and strong uptake of new products launched in 2020-2021, namely implants for the treatment of the clavicle and the ankle joint as well as the versatile CCS screw extensions. In Germany, Austria and the UK, where Medartis has exclusive distribution rights, KeriMedical sales also contributed significantly to the result, accounting for around 30% of growth. The migration from existing Modus 1 clinics to Modus 2 in the CMF product area continued, but the full market potential has yet to be exploited.

Medartis' **US business** grew 28.7% at CER, lifting regional sales in 2022 to CHF 41.0 million. This includes a sales contribution of CHF 5.1 million from the acquired NSI 3rd party custom manufacturing business, which will not be part of the Medartis' core business going forward. In organic terms, sales increased by 12.8%, improving from 9.8% to 15.5% between the first and second half of the year. Strong demand particularly for products in key indications such as wrist, ankle and shoulder were the main drivers for the double-digit growth. In contrast, sales in forefoot and midfoot fell short of expectations. The Field Orthopaedics nail system recorded its first sales in Q4 and received positive customer feedback. In October, the company also received FDA clearance for the silicone finger joint implant KERIFLEX® to replace PIP or MCP joints affected by rheumatoid arthritis, osteoarthritis or traumatic arthritis. This is the first product from KeriMedical's promising portfolio to be approved for distribution in the US. In addition to this gratifying

product approval, the US team concluded the NSI integration in Q4. Thanks to the acquisition of NSI, Medartis US evolved from a pure sales entity to a fully-fledged organisation with R&D, regulatory, manufacturing, supply chain and sales support. In just one year, the local workforce grew from 74 to 185 people.

As planned, Medartis increased its regional sales team from 160 to 220 in one year and intends to expand it further, with a focus on productivity. The expansion was done entirely through independent sales agents with a focus on the 20 largest states representing three quarters of the national case volume. Under the new management, existing agent contracts were adapted and new partnerships signed, always with the aim of increasing exclusivity, Medartis' share-of-voice and surgeon conversion. The many new product launches (i.e. NSI legacy products, KeriMedical and Field Orthopedics) will close existing portfolio gaps and will allow the company to expand its local opinion leader (KOL) network. Thanks to all these measures, Medartis is confident of accelerating momentum, outperforming the market and has set an ambitious sales target of approximately USD 80 million by 2025 .

In the **APAC region**, sales for the full year increased by 0.3% over 2021 to CHF 32.1 million. At CER, growth amounted to 3.5%. Medartis Japan reported strong growth in its extremity business, but distributor sales in CMF were lower than in previous periods, mainly due to the strong comparative baseline in 2021, when the new distributor made its initial set investments. The sales trend in Australia and New Zealand was adversely impacted by dynamics related to the pandemic. Hospital capacity for elective surgery has remained muted since the outbreak of the pandemic, affecting the forefoot and midfoot product category in particular since these are predominantly elective surgeries. Business in Australia improved, from 0% in H1 to 7% in H2, but unit growth remains below pre-pandemic levels.

In H2, the position of International Sales Manager was created in APAC to serve the growing distributor markets in the region. IBRA training in the APAC region also resumed to meet the strong demand for T&E opportunities at both fellowship and residency levels.

The Chinese government's decision to introduce a centralised procurement system (VBP) for medical device products has had a significant impact on tender prices in that market, leaving Medartis little room to grow profitably in the future. In response, Medartis has carefully reviewed its strategic positioning and decided to withdraw from the market.

The **LATAM region** continued its track record of strong growth in 2022. Sales for the full year increased by 33.6% over 2021 to CHF 18.3 million or 27.7% at CER. Reported growth rates in H2 were lower than in H1, but momentum was at a similar level considering timing of the easing of COVID-19 restrictions in the previous year. Strong growth was notable across Brazil, Mexico and the distributors. By product category, the distal radius, hand and CCS screw product lines were the top performers. Medartis was able to gain market share in both the private and public markets. The company also highlighted the recovery of the CMF market in Brazil. After the end of the pandemic, Medartis resumed its usual presence at exhibitions and congresses.

PERFORMANCE BY PRODUCT CATEGORY

Table: Revenue development by products

in CHF million, rounded	FY 2022	FY 2021	Change in CHF	Change in CER
Upper extremities	123.8	112.0	10.5%	14.0%
Lower extremities	28.2	24.6	14.6%	19.3%
CMF & other products ⁴	30.8	23.2	32.8%	34.8%
Total Group	182.8	159.9	14.4%	17.8%

By product category, growth in the 'CMF and other products' of 34.8% outpaced the other areas. If the NSI contract manufacturing business is excluded, the performance in organic terms is fairly balanced: Upper extremities, which accounts for two-thirds of sales, grew by 14.0%, Foot and Ankle by 19.3% and CMF advanced 13.0%. In **upper extremities**, shoulder and wrist were the fastest growing categories. All subsidiaries increased their wrist sales, with Spain, Mexico, Brazil and the UK exhibiting the highest distal radius growth. The category also benefitted from additional contributions from the KeriMedical products, mainly from the flagship product TOUCH®. Joint replacement for the treatment of rhizarthrosis is an important growth driver for the company, as confirmed by the response from customers in Germany, Austria and the UK. Based on recent studies, the thumb joint is one of the most commonly affected areas by osteoarthritis. It is the second most commonly affected joint after the knee and significantly more common than the hip joint, which highlights the need of addressing osteoarthritis in the thumb and offering alternative treatments for surgeons that bring clear benefits to the patient.

Implants for the foot and ankle as well as cannulated CCS screws were the main growth drivers in **lower extremities**. Following the launch of the Ankle Trauma System in 2021, Medartis introduced the 3.5 Straight Plate, a versatile locking plate that is fully compatible with the ankle trauma system. Medartis has continued to expand its CCS portfolio over the past year to further strengthen its competitive advantage. In Q3, 79 additional screw configurations are planned, for example to treat metacarpal and phalangeal fractures intramedullary.

Strong growth in Orthognathic and Cranium products were the main performance driver in **CMF and other products**, which include surgical implants for the head as well as instruments and sets. Geographically, the category grew the most in LATAM, which will migrate to Modus 2 in 2023. CMF sales in APAC declined from a comparatively high baseline in the prior year, when Medartis benefitted from a stocking effect of the new CMF distributor in Japan. The demand for the CMX digital planning service also developed positively. With this proprietary digital planning platform for patient-specific solutions, Medartis is well positioned to attract new customers and deepen relationships with existing ones who look for total solutions from a single source.

In 2022, Medartis continued to expand its global workforce by 27%, from 684 to 866 employees. 80% of the additional 182 employees have been recruited in its sales subsidiaries; the majority in the focus market US.

⁴ CMF & other product sales in 2022 include a CHF 5.1 million contribution from NSI's third party manufacturing business.

At Medartis' headquarters in Switzerland, 37 new jobs mainly in manufacturing and R&D were created last year.

In October, Medartis created the new senior leadership position of Chief Operating Officer (COO) and filled the position with 47-year-old **Mario Della Casa**. He brings a wealth of industry experience expertise in the medical device and automotive industries to the company, making him well equipped to lead the acceleration of digital processes in manufacturing, planning, and logistics. As COO, Mario Della Casa takes global responsibility for purchasing, production, quality, and supply chain. He is well positioned to help Medartis expand its manufacturing network to meet its ambitious growth targets in the coming years. He also has extensive knowledge of change management, lean management and cleanroom operations. At the same time, Chief Production Officer (CPO) Axel Maltzen relinquished his responsibilities in the EMB and assumed global responsibility for Quality Management, Sustainability (ESG) and the Project Management Office.

FINANCIAL PERFORMANCE

Medartis **gross profit margin** decreased by 2.1 percentage points from 83.9% in the previous year to 81.8% in 2022, mainly due to the impact of the NSI contract manufacturing business, which has a lower margin profile. Excluding this non-strategic business, the gross margin would have amounted to 83.0%. The remaining difference results from unfavourable product mix (more distribution sales of KeriMedical) as well as adverse country mix effect (e.g. lower growth from countries with higher ASPs). On the actual production side, there were only two minor influences, mainly due to higher supplier costs and the ramp-up of the new clean room in Basel. These factors were almost completely offset by improved capacity allocation and process efficiency.

Medartis **OpEx-ratio** increased 5.8 percentage points to 82.8%. This increase follows the acquisition of NSI and includes personnel and other operating costs of the acquired company as well as one-off costs such as restructuring, legal and audit costs for the acquisition as well as write-off of old set inventories. It also comprises one-off costs from the closing of Medartis former China business. Excluding these one-off factors, the underlying OpEx ratio reached 78.9%, 1.9 percentage points higher than in 2021. With the exception of R&D, absolute expenses for headquarters functions did not increase compared to the prior year. In contrast, the subsidiaries strengthened their sales team as well as in T&E. In the US, various new positions for marketing and product management were created. For APAC, a new team for distributor management was established in Singapore. New direct markets such as Spain and Japan have further strengthened their organisations to sustain their high growth rates.

R&D expenses in 2022 amounted to CHF 25.3 million (2021: CHF 20.0 million) and include a one million higher financial contribution for the International Bone Research Association (IBRA) and additional expenses for the acquired development centre in Warsaw, USA. In 2022, IBRA ran 40 intensive training courses worldwide, attended by 1 400 orthopaedic professionals (for more details, see the Annual Report on page 27). The share of the company's associate KeriMedical was slightly down, reflecting KeriMedical's

additional expenses in sales & marketing and the operating costs for the newly built production and training centre in Archamps, France.

Due to the abovementioned items, earnings before interest, tax, depreciation, amortisation (**EBITDA**) and one-off items decreased by CHF 4.0 million to CHF 23.4 million, with the corresponding margin declining to 12.8% (-4.4 percentage points year-on-year). Including depreciation and amortisation, reported **EBIT** was CHF -1.9 million (2021: CHF 11.1 million). Excluding the various one-off factors as mentioned above, the underlying EBIT margin amounted to 2.9% compared to 6.9% a year before. The deviation is almost entirely due to the above-mentioned additional COGS and OpEx costs following the NSI acquisition.

Net financial result for 2022 amounted to CHF -5.2 million (2021: CHF -2.8 million). The higher financial loss includes CHF 0.9 million interest expenses accruals for NSI acquisition accounting (contingent consideration liabilities for potential future milestone payments ⁵) and FX losses of CHF 3.2 million (2021: loss of CHF 1.4 million) due to the EURO weakness as well as the strong US dollar weakening at year-end. For the reporting period, Medartis records a **tax income** of CHF 1.4 million compared to a tax expenses of CHF 1.5 million in 2021. Although Medartis paid taxes in countries with a positive local result, the negative operating result in the US as well as the relief of tax assets from prior periods resulted in an overall positive tax income for the year 2022. As a result of all these factors, Medartis incurred a net loss of CHF 5.8 million in 2022 compared to a net profit of CHF 6.8 million in 2021. Excluding the aforementioned one-off effects, Medartis reported a net profit of CHF 1.5 million. Basic EPS decreased from CHF 0.58 to CHF -0.49 per share year-on-year.

Investments in CAPEX, NSI and KeriMedical

Operating cashflow for 2022 decreased to CHF -3.9 million (2021: CHF 21.0 million) and was mainly the result of lower profitability, additional set investments and a build-up of inventory. In the current environment characterised by supply chain disruptions and longer lead times, Medartis adopted a prudent approach to avoid backlogs with external suppliers. The **cash outflow for investing activities** of CHF 52.9 million contrasts with investments of CHF 15.9 million in 2021 and the difference results mainly from equity investments in NSI (first tranche of CHF 36.1 million) and KeriMedical (additional investment of CHF 3.7 million to increase the equity share by 4.7% to 30%). In 2022, 7.4 million more CAPEX investments for property, plant and equipment (PPE) were also made. **Cash outflow** of CHF 3.9 million used for **financing activities** was almost unchanged and mainly includes the repayment of lease liabilities. As of 31 December 2022, Medartis had cash reserves of CHF 20.6 million (2021: CHF 82.6 million). In addition to these cash & cash equivalents in the balance sheet, Medartis entered into a CHF 40.0 million credit agreement with two banks to secure future cash requirements and gain additional financial flexibility.

The long-standing Board member and current Chairman of the Human Resources & Compensation Committee (HRCC), **Dominik Ellenrieder**, has decided to retire from the Medartis Board at the upcoming AGM in order to focus fully on his strategic and operational activities at Sentec AG. **Marco Gadola, Chairman of the Board of Directors** commented: "Dominik Ellenrieder has been on our Board since 2000 and played a

⁵ Further details in Note 5.1.1 of the financial section of the Annual Report 2022.

decisive role in the founding years when we were still a private company and also later as a listed company. We would like to express our sincere thanks to Dominik for his dedication, relentless commitment and enormous contribution to the company over all these years. Dominik Ellenrieder is an anchor shareholder and has emphasised that his resignation from the Board will not affect his view as a long-term shareholder." Dominik's seat on the Board of Directors will not be replaced. Independent Board Member **Damien Tappy** is proposed to newly chair the HRCC Committee.

FULL-YEAR 2023 OUTLOOK

(barring any unforeseen circumstances)

Against the backdrop of a continued recovery in elective procedures and hospital capacities, Medartis is optimistic about its organic sales growth, which is expected to be in the range of 15% to 18%. To support further growth investments, Medartis aims to expand its underlying EBITDA margin to 13%-15% in 2023 thanks to operating leverage. In the medium term, Medartis is focused on expanding its portfolio and maintaining its innovative edge, which will be a key determinant to gain further market share.

ANALYSTS' AND MEDIA CONFERENCE CALL

Medartis will present its 2022 full-year results to representatives of the financial community and media in a webcast conference call today at 10.30 am Swiss time. A video livestream of the event will be available on <https://event.swisscom.ch/v/medartis-fy2022>. The webcast will be hosted by Christoph Brönnimann (CEO) and Dirk Kirsten (CFO) and the webcast language will be English.

An alternative option for anyone experiencing technical problems is to use these telephone numbers:

Zurich : +41 43 456 9986

Geneva: +41 22 592 7915

Please dial in 5 minutes before the start of the conference and enter the password "Medartis" when prompted by the operator. To ask a question, please press *1 on the telephone. We will answer the questions on the webcast first.

A recording of the webcast will be available directly after the event and as an MP4 file on the website a few hours after the conference. If you wish to download the slide deck, we recommend that you download the presentation file under the following [link](#).

ANNUAL REPORT

Medartis annual report 2022 incl. an updated sustainability report was published today at the corporate website. You can download a pdf [here](#).

IMPORTANT DATES AND UPCOMING INVESTOR EVENTS

2023	Event	Broker	Destination
14 March	2022 full-year results publication		Webcast
15 March	Investor meetings	ZKB	Zurich
21 March	Investor meetings (online)	Octavian	Continental Europe
22 March	Investor meetings (online)	Credit Suisse	US
30 March	Investor meetings	ZKB	London
03 April	Investor meetings	Credit Suisse	Paris
21 April	Annual General Meeting 2023		Headquarters
14 June	Swiss Equity Conference	Stifel	Interlaken (CH)
15 August	2023 half-year results publication		Webcast
2 November	Swiss Equity Conference	ZKB	Zurich

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About Medartis

Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region. Medartis employs approx. 860 individuals across its 13 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theatre personnel with the most innovative titanium implants and instruments as well as best-in-class service. For more information, please visit www.medartis.com.

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