

medartis

2023

Half-year report

About Medartis

Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices and solutions for the treatment of bone fractures of the upper and lower extremities as well as the head. Medartis employs approximately 860 people at its 13 locations and offers products in over 50 countries worldwide. Medartis is committed to providing surgeons and surgical staff with procedure- and anatomy-specific solutions and world-class services that lead to excellent treatment outcomes.

For more information, please visit
www.medartis.com

Contents

Half-year 2023 Key Financials

Sales in Swiss francs

103.3 million

+20.8% growth at CER

+16.1% internal sales growth¹

Double-digit growth in EMEA, US and LATAM; US momentum increased

Underlying² EBITDA in Swiss francs

14.8 million

Underlying EBITDA

margin reaches 14.3%

Underlying gross profit margin decreased to 77.7%

Number of headcounts

858 people

Headcount increases 3.1%

+36 jobs created in Switzerland

Two US entities centralised in Warsaw, Indiana, following the NSI acquisition

in CHF million, rounded	H1 2023			H1 2022			Underlying YoY change	
	Reported	One-off costs ²	Underlying	Reported	One-off costs ²	Underlying	in CHF	at CER
Total net sales	103.3			88.4			16.8%	20.8%
Internal net sales ¹	97.6			86.9				16.1%
Gross profit	79.7	(0.5)	80.2	73.9			8.5%	12.9%
EBITDA	13.1	(1.8)	14.8	9.9	(3.8)	13.7	7.8%	22.0%
EBIT	2.8	(1.8)	4.5	1.3	(3.8)	5.1	(10.5)%	24.6%
Net profit / loss	(0.8)			0.0				
Headcount	858			832				3.1%
Margins in % of sales							Change in %-points (PP)	
Gross profit	77.2%		77.7%	83.7%		83.7%	(5.9)	(5.4)
EBITDA	12.6%		14.3%	11.2%		15.5%	(1.2)	0.1
EBIT	2.7%		4.4%	1.5%		5.7%	(1.3)	0.1
Net profit / loss	(0.8)%			0.0%				

PP = Percentage points.

1) "Internal growth" denotes the increase in sales at constant exchange rates (CER), excluding the impact of mergers, acquisitions, and divestments. The NSI's contract manufacturing business is of no strategic significance and is therefore excluded from this calculation. Internal growth serves as a crucial performance indicator for management.

2) The one-off costs in 2023 are related to the costs of remediating the IT attack. In 2022, the one-off costs for the NSI acquisition and the discontinued China business are excluded to facilitate the underlying operational performance.

Business review

In the first half of 2023, Medartis generated sales of CHF 103.3 million, representing growth of 20.8% at CER. Internal growth amounted to 16.1% at CER. The EMEA business made the largest contribution to this growth with an increase of 17.7%, bolstering its competitive position. The US improved sequentially and was the fastest growing territory in H1 (internal growth: +21.1%). An IT attack at the end of May temporarily affected the company, but Medartis is on track to meet its annual targets.

The reported EBITDA in H1 2023 reached CHF 13.1 million, corresponding to a margin of 12.6%. At the end of May, Medartis became the target of an IT attack, which was resolved relatively quickly. Additional one-off costs to remedy the incident reduced the EBITDA margin by 1.7 PP. The company estimates that the incident reduced its H1 revenue by approx. 3 PP.

Double-digit sales growth and cost control helped offset part of the temporary decline in gross margin, which was due to a higher 3rd party custom manufacturing and trading products, inventory optimisation, and elevated energy and logistics costs. The (reported) net result was CHF -0.8 million, but would have been CHF +0.9 million without the effects of the IT attack.

REGIONAL PERFORMANCE

EMEA: Strong performance

The largest region **EMEA** has performed very strongly across almost all markets and business segments and achieved year-on-year growth of 17.7% at CER. Medartis benefited from a positive market environment. Germany played an important role and contributed one-third of regional growth, driven by strong demand for screw and plate products launched in recent years as well as

KeriMedical's hand solutions. In the UK and Poland, the company made significant strides, thus expanding its market position. The youngest subsidiary, Spain, continued its impressive growth trajectory and almost doubled its sales again, demonstrating promising potential in an attractive market. Switzerland and France, growth was below expectations due to the mild winter, which affected trauma cases. The company also benefited from its efforts to expand its presence in Eastern Europe and the MENA countries, which it has traditionally accessed through external distributors.

in CHF million, rounded	H1 2023	H1 2022	Change in CHF	Change at CER	Internal growth ¹
EMEA	51.5	45.4	13.5%	17.7%	17.7%
US	25.5	18.3	39.2%	42.9%	21.1%
APAC	15.8	15.9	(0.6%)	5.6%	5.6%
LATAM	10.5	8.8	18.9%	17.0%	17.0%
Total Group	103.3	88.4	16.8%	20.8%	16.1%

Table: Revenue development per region and year-on-year changes
 1) "Internal growth" denotes the increase in sales at constant exchange rates (CER), excluding the impact of mergers, acquisitions, and divestments. For strategic purposes, NSI's 3rd party custom manufacturing business is not taken into consideration and is consequently excluded from this calculation. Internal growth serves as a crucial performance indicator for management.

US: Positive development of internal sales growth

Medartis' **US business** grew by 42.9% (CER) and generated sales of CHF 25.5 million in H1, including CHF 5.6 million from contract manufacturing orders for third-party customers. Internal sales growth developed positively and increased sequentially from 9.8% in the first half and 15.5% in the second half of 2022 to 21.1% in the first half of 2023. Portfolio expansion, higher sales productivity of existing agents and the onboarding of new independent sales agencies contributed to this acceleration. The strong growth in

hand, wrist and lower extremities indicate the acceptance and endorsement in the company's offerings. Subsequent to the release of the 'Lapidus Cut Guide' in 2022, the second solution for hallux valgus bunionectomy named 'LapiPrep' was introduced in Q2. Positive customer reactions to the product have reaffirmed its potential to become a growth driver in the future. Furthermore, the product line from Field Orthopaedics, introduced in Q4 of 2022, has gained traction in the market and has helped the company to win share in the hand segment.

In June, the Medartis' National Account Team has signed a multi-year contract with one of the Top 5 GPOs (group purchasing organisations). This agreement extends access to a significantly larger network of healthcare facilities, encompassing 1,600 hospitals and 2,000 ambulatory service centres. The agreement also simplifies the registration process of new accounts for its independent agent sales network.

APAC: Impact of mandatory price adjustments

In the **APAC** region, sales increased by 5.6% (CER) in H1 and reached CHF 15.8 million. Sales in the important Australian market experienced only mid-single-digit growth. This was due primarily to implant price adjustments mandated by the authorities in the private market segment, which were implemented in H2 2022. In the same period, however, sales volume increased by 15%. Medartis' Japanese subsidiary reported strong growth in its lower extremity foot & ankle business, but the distributor sales growth eased, partly due to the strong equipment orders from the new CMF distributor in the previous year. Distributor markets in the ASEAN countries grew in-line with expectations.

LATAM: Continued geographic expansion

H1 sales in the **LATAM** region amounted to CHF 10.5 million, which

represents an increase of 17% (CER) compared to the same period one year ago. Dynamic growth in Mexico, fuelled primarily by successful participation in new public tenders, combined with a solid performance in Brazil and in the distribution markets led to this result. Medartis has seen steady growth of its CMF Modus product line in Brazil and a strong uptake in Argentina following the recent launch of the Modus 2 line.

In line with its strategy to expand its market presence, Medartis has continued its geographic expansion efforts in Brazil and Mexico. By collaborating with new distributors, the company has successfully covered previously untapped areas. Despite overall positive growth, Medartis experienced a slight slowdown in its sales momentum mainly due to a temporary gap in the registration of new products and a period of uncertainty during the transition of government in Brazil.

PERFORMANCE BY PRODUCT CATEGORY

in CHF million, rounded	H1 2023	H1 2022	Change in CHF	Change at CER	Internal growth ¹
Upper extremities	66.7	61.1	9.1%	13.1%	13.1%
Lower extremities	17.1	13.3	28.6%	33.3%	33.3%
CMF & other products	19.4	13.9	39.5%	43.8%	14.4%
Total Group	103.3	88.4	16.8%	20.8%	16.1%

Table: Revenue development by products and year-on-year changes

1) "Internal growth" denotes the increase in sales at constant exchange rates (CER), excluding the impact of mergers, acquisitions, and divestments. For strategic purposes, NSI's 3rd party custom manufacturing business is not taken into consideration and is consequently excluded from this calculation. Internal growth serves as a crucial performance indicator for management.

Broken down by product category, **lower extremities** growth of 33.3% outperformed the other two categories, which recorded internal sales growth in the low tens. Strong sales of the ankle

trauma set, expansion in the forefoot as well as cannulated CCS screws were the main growth drivers in lower extremities. The continuous development of the screw implant portfolio and the strategic advancement into important indications in the ankle area over the last three years is yielding positive results. Growth in EMEA and the US were the most pronounced. 'LapiPrep' was rolled out in Q2 and made an initial, albeit small, contributions to the results. The NSI legacy technology represents a comprehensive system for correcting hallux valgus, effectively converting tedious traditional "bunionectomies" into guided procedures with consistent and reproducible outcomes.

Upper extremities, which accounts for two-thirds of sales, grew by 13.1%. Medartis achieved healthy growth in shoulder, hand and wrist. In addition to the existing products, the company made inroads with distal ulna, wrist spanning, and forearm shaft plates. These products complement the current portfolio well and enhance the company's offerings in the market. For 2023, the company has established several focus areas with one of the main topics being the market share expansion in its stronghold indication "distal radius". The primary objective is to gain market share in geographies where the company currently holds a relatively small market presence. KeriMedical's sales nearly doubled year-on-year, constituting a quarter of the growth in upper extremities. This achievement is noteworthy considering that Medartis distributes the products in a limited number of countries.

Growth in '**cranio-maxillofacial (CMF) and other products**' was 43.8% and includes the contribution of the NSI custom-manufacturing business. Internal growth excluding this 3rd party business amounted to 14.4%. and was primarily driven by the EMEA and LATAM regions, with the latter leading the charge. The demand for 'Modus 1' sets in Latin America continues to be very pleasing. By contrast, sales in the APAC region experienced a decline, primarily due to the strong comparative quarter in the previous year, which was lifted by distributor stocking. Broken

down by indication, double-digit growth in orthognathic and mandible were the main performance driver. The demand for the CMX digital planning service also developed positively.

In H1 2023, Medartis further expanded its global workforce by 3%, from 832 to 858 employees. Most of the new jobs were created in the areas of manufacturing, sales and marketing. In Switzerland, where Medartis has its headquarters and main production facility, 36 jobs were created, mainly in manufacturing and IT. After the acquisition of NSI and the subsequent centralisation of the two US companies in Warsaw, Indiana, the organisation underwent a reorganisation aimed at enhancing operational efficiency and improving the region's profitability.

FINANCIAL PERFORMANCE

The **gross margin** in H1 2023 decreased to 77.2% owing to a confluence of various factors. The 3rd party custom manufacturing business of NSI had a large impact of 1.1 PP on the decline. The low-margin manufacturing business exhibited stronger growth in H1 than anticipated and was consolidated in H1 2023 for the entire period, instead of just two months as was the case in the same period a year ago. The expanding proportion of distributed products within Medartis' portfolio, including KeriMedical and Field Orthopaedic, led to an additional 0.4 PP reduction in the margin.

The company also faced challenges from higher energy costs, which were exacerbated by the ramp-up of its new energy-intensive clean room for inhouse sterile packaging. Driven by considerations of capital efficiency, management also made the decision to temporarily curb production volumes with the aim of reducing inventories, which led to an underutilisation. Furthermore, the company had additional production costs of approx. 0.5 PP due to the one-week production interruption during the IT attack.

In contrast to the higher cost of goods sold (COGS), operating expense (**OpEx ratio**) decreased 7.6 PP from 82.2% last year to 74.5% in H1 2023. This improvement was made possible by higher volumes, a commitment to strict cost discipline, and enhanced cost management following the integration of NSI. **R&D expenses** increased from CHF 12.1 million in H1 2022 to CHF 13.4 million (13.0% of sales), reflecting the integration of the NSI development centre in Warsaw for the entire period. The technical measures to remedy the IT incident (security, IT, legal, consulting, logistics) has resulted in additional one-time costs, most of which were recorded in H1. The company has special insurance coverage in place, and it is presently engaged in discussions with the insurer to ascertain the scope of coverage for these one-off costs.

In H1 2023, **Earnings before interest, tax, depreciation, and amortisation (EBITDA)** increased 32.3% to CHF 13.1 million, representing a margin of 12.6%. Without the one-time costs of the IT incident of CHF 1.8 million, the underlying EBITDA reached CHF 14.8 million, and the corresponding margin of 14.3% reached the mid-point of the company's full-year financial guidance range.

The share of the associate KeriMedical was stable, thus reflecting the company's additional growth expenses. After accounting for depreciation and amortisation of CHF 10.3 million, the **operating profit (EBIT)** for the same period amounted to CHF 2.8 million. However, if one-off costs are excluded, the EBIT would have amounted to CHF 4.5 million, corresponding to a margin of 4.4%.

For the reporting period, Medartis records a tax expense of CHF 1.0 million, which is line with the prior year. The **net result** for the period amounted to minus CHF 0.8 million, in contrast to a small gain in H1 2022. The difference is due to the above-mentioned one-off IT costs and to foreign exchange losses of CHF 1.3 million, most of which are unrealised and result from the strength of the Swiss franc currency. Furthermore, an additional CHF 0.4 million in interest expenses was incurred for a contingent liability

to former NSI shareholders. **Basic EPS** decreased from zero to CHF -0.07 per share.

Cash used for CapEx and a higher stake in KeriMedical

The **operating cash flow** was CHF 1.6 million better in the first half of 2023, but was still a negative CHF 2.9 million and includes a rise in net working capital of CHF 11.9 million. The increase in inventories resulted mainly from launches of new NSI and Field Orthopaedic products in the US. In H1 2023, investments in property, plant, and equipment (CapEx), including consignment set investments to drive future procedure volumes, totalled CHF 7.4 million, which was consistent with the levels in the previous year. The **cash outflow for investing activities** results mainly from an increase in Medartis' ownership in Keri Medical SA (current: 47.0%) for CHF 18.1 million, which was financed by net proceeds of CHF 29.7 million from a capital increase in March 2023. At the end of June 2023, Medartis had cash and cash equivalents of CHF 15.0 million, in addition to an undrawn credit line with various banks, which enable the company to finance its organic growth activities.

FULL-YEAR 2023 OUTLOOK

(barring any unforeseen circumstances)

Based on the results in H1 and the trends experienced since then, the company remains optimistic and reaffirms its 2023 full-year guidance to achieve internal sales growth of 15%–18% and an underlying EBITDA margin of 13%–15%.

Medartis Group Interim Consolidated Financial Statements

Interim Consolidated Balance Sheet

(CHF)	Unaudited 30 June 2023	31 December 2022
Assets		
Current assets:		
Cash and cash equivalents	14'973'416	20'604'902
Accounts receivable trade	46'265'809	39'930'683
Accounts receivable other	7'890'990	5'431'820
Income tax receivables	306'999	159'950
Inventories	73'023'902	69'903'374
Prepaid expenses	1'951'039	1'850'377
Total current assets	144'412'156	137'881'107
Non-current assets:		
Property, plant and equipment	53'493'123	52'622'536
Right-of-use assets	26'286'737	26'660'877
Intangible assets	69'019'181	69'991'381
Investment in associate	33'596'759	13'873'217
Financial assets	1'607'801	1'557'002
Deferred tax assets	26'419'719	25'307'669
Total non-current assets	210'423'320	190'012'683
Total assets	354'835'476	327'893'790

(CHF)	Unaudited 30 June 2023	31 December 2022
Liabilities and equity		
Current liabilities:		
Accounts payable trade	7'132'103	9'595'396
Accounts payable other	18'206'924	15'199'081
Income tax payables	667'905	375'130
Accrued expenses	2'199'173	2'666'442
Current financial debt and other financial liabilities	6'993'513	5'619'447
Current contingent consideration	8'820'502	-
Provisions	3'194'417	6'070'058
Total current liabilities	47'214'536	39'525'554
Non-current liabilities:		
Non-current financial debt and other financial liabilities	20'401'349	22'335'573
Non-current contingent consideration	15'258'404	24'082'920
Provisions	2'327'964	2'259'758
Employee benefit obligation	4'364'981	1'804'010
Deferred tax liabilities	301'876	106'633
Total non-current liabilities	42'654'574	50'588'894
Total liabilities	89'869'110	90'114'448
Shareholder's equity		
Issued share capital	2'470'978	2'371'313
Capital Reserves	288'400'693	257'645'270
Currency translation adjustment	754'811	814'024
Retained earnings	-26'660'116	-23'051'266
Total shareholder's equity	264'966'367	237'779'342
Total liabilities and equity	354'835'476	327'893'790

Interim Consolidated Income Statement

(CHF)	Unaudited H1 2023	Unaudited H1 2022
Net sales	103'250'693	88'376'988
Cost of goods sold	-23'513'910	-14'438'844
Gross profit	79'736'783	73'938'144
Selling and distribution	-48'282'665	-44'155'667
Research and development	-13'410'040	-12'125'642
General and administration	-15'249'065	-16'335'990
Share of results of associate	-498	-34'736
Operating profit	2'794'516	1'286'108
Finance income	188'416	836'001
Finance expense	-2'838'026	-985'058
Income before taxes	144'907	1'137'051
Income tax expense	-992'948	-1'133'279
Net income/ (loss)	-848'041	3'772
Attributable to:		
Medartis shareholders	-848'041	3'772
Earnings per share (CHF):		
Basic earnings per share ^{a)}	-0.07	0.00

a) There is no dilution effect.

Interim Consolidated Statement of Comprehensive Income

(CHF)	Unaudited H1 2023	Unaudited H1 2022
Net income/ (loss)	-848'041	3'772
Components of other comprehensive income (OCI)		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit post-employment plans	-3'066'701	16'800'561
Income tax relating to items that will not be reclassified to profit or loss	399'898	-2'190'793
	-2'666'803	14'609'768
Items that may be reclassified subsequently to profit or loss:		
Currency translation effects	-59'213	257'093
Share of other comprehensive income of associates accounted for using the equity method	-110'344	-59'353
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-
	-169'557	197'740
Total other comprehensive income	-2'836'360	14'807'508
Total comprehensive income	-3'684'402	14'811'280
Attributable to:		
Medartis shareholders	-3'684'402	14'811'280

Interim Consolidated Cash Flow Statement

	Unaudited	Unaudited
(CHF)	H1, 2023	H1, 2022
Net income/ (loss)	-848'041	3'772
Adjustments for:		
Income tax income/expense	992'948	1'133'279
Interest income	-187'927	-265'027
Interest expenses	395'158	511'456
Loss on disposal of property, plant and equipment	140'778	81'831
Depreciation and amortization of:		
Property, plant and equipment	9'129'567	7'870'574
Intangible assets	1'128'105	752'764
Change in provisions and pension obligations	-3'313'165	-198'173
Share based compensation	983'321	1'480'706
Other non-cash items	619'288	-940'65
Fair value loss on contingent consideration	671'753	316'312
Changes in net working capital:		
Inventories	-3'120'528	-6'097'612
Accounts receivable trade, accounts receivable other, prepaid expenses	-8'894'958	-5'025'070
Accounts payable trade, accounts payable other, accrued expenses	77'281	-2'886'430
Interest received	187'927	265'027
Income tax paid/received	-859'015	-1'516'864
Cash flow from operating activity	-2'897'510	-4'514'112

	Unaudited	Unaudited
(CHF)	H1, 2023	H1, 2022
Cash payments to acquire property, plant and equipment	-7'380'282	-7'287'479
Proceeds from disposals of property, plant and equipment	15'884	24'722
Cash payments to acquire intangible assets	-1'627'085	-912'830
Additions/Disposals to financial assets	-50'799	5'406'804
Acquisition of subsidiaries, net of cash acquired	-	-36'730'798
Cash payment to participate in capital increase in an associate	-1'483'164	-
Cash payment to acquire an investment in an associate	-18'132'000	-3'743'000
Cash flow used for investing activities	-28'657'445	-43'242'581
Net proceeds from capital increases	29'742'685	580'625
Repayment current financial debt	-461'705	-
Repayment of lease liability	-2'836'704	-2'510'761
Interest paid on lease liability	-390'135	-357'952
Interest paid	-	-23
Cash flow used for financing activities	26'054'141	-2'288'112
Net change in cash and cash equivalents	-5'500'814	-50'044'805
Cash and cash equivalents at the beginning of the year (1 January)	20'604'902	82'641'879
Net effect of currency translation on cash and cash equivalents	-130'672	355'278
Cash and cash equivalents at the end of the half-year (30 June)	14'973'416	32'952'352

Interim Consolidated Statement of Changes in Equity

(CHF)	Attributable to Medartis AG shareholders					Total shareholders' equity
	Share capital	Capital reserves	Currency translation difference	Retained earnings		
1 January 2022	2'362'873	254'197'973	1'563'538	-34'129'045	223'995'339	
Net income				3'772	3'772	
Other comprehensive income/(loss)			197'740	14'609'768	14'807'508	
Total comprehensive income/(loss)			197'740	14'613'540	14'811'280	
Capital increase	3'838	1'683'734		-1'138'649	548'923	
Acquisition Nextremity contingent consideration				2'232'099	2'232'099	
Share based compensation				1'480'706	1'480'706	
30 June 2022	2'366'711	255'881'707	1'761'278	-16'941'349	243'068'348	
1 January 2023	2'371'313	257'645'269	814'024	-23'051'266	237'779'341	
Net income				-848'041	-848'041	
Other comprehensive income/(loss)			-59'213	-2'666'803	-2'726'017	
Total comprehensive income/(loss)			-59'213	-3'514'845	-3'574'058	
Capital increase	99'665	30'755'424		-1'077'326	29'777'762	
Share based compensation				983'321	983'321	
30 June 2023	2'470'978	288'400'693	754'811	-26'660'116	264'966'367	

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate information

Medartis Holding AG is a public company domiciled and incorporated in Switzerland, whose shares are publicly traded on the SIX Swiss Exchange. The interim condensed consolidated financial statements of the Medartis Group for the six months ending 30 June 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 11 August 2023.

2. Basis of preparation and accounting policies

The interim condensed consolidated financial statements for the six months ending 30 June 2023 have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

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 financial statements for the year ended 31 December 2022. A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Due to rounding, number presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

The preparation of consolidated statements under IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

3. Seasonality of operations

The Group operates in an industry where significant seasonal or cyclical variations in the total sales are not experienced during the financial year.

4. Investments in associates

The Group has an investment in an associate.

Keri Medical SA

In March 2023, Medartis acquired an additional 18.3% investment in Keri Medical SA at the cost of CHF 18.1 million resulting in a total stake of 47.0%. The share of identifiable net assets amounts to CHF 3 million and the notional goodwill applicable to the 18.3% investment amounts to CHF 15.1 million.

The carrying amount of the equity-accounted investment has changed as follows in H1 2023:

	2023
Carrying amount at 1 January	13'873'217
Capital increase	1'483'164
Investment	18'132'300
Share of profit for the period	218'422
Share of other comprehensive income	-110'344
Carrying amount at 30 June	33'596'759

In May 2022, Medartis acquired a 4.7% investment in Keri Medical SA at the cost of CHF 3.7 million resulting in a total stake of 30%. The share of identifiable net assets amounts to CHF 0.7 million and the notional goodwill applicable to the 4.7% investment amounts to CHF 3.0 million.

5. Business combination

On 2 May 2022, Medartis acquired 100% of the share capital of Nextremity group ('Nextremity'), located in Warsaw, USA. Details of this business combination were disclosed in note 5.1 of the group's annual financial statements for the year ended 31 December 2022.

The net assets recognised in the 31 December 2022 financial statements were based on a provisional assessment of their fair value. The valuation has been completed and no adjustments to the preliminary figures were necessary.

6. Shareholder's equity

The share capital is represented by 12'354'892 registered shares (2022: 11'833'558) of CHF 0.20 (2022: CHF 0.20) par value, fully paid in.

Medartis Holding AG has been listed at SIX Swiss Exchange in Zurich (ticker symbol 'MED') since 23 March 2018.

In the six-month period ending 30 June 2023, Medartis Holding AG increased its share capital by issuing a total of 498'323 new shares to 12'354'892 registered shares from its conditional share capital. The corresponding share capital amounts to CHF 2.5 million.

In the six-month period ending 30 June 2022, Medartis Holding AG increased its share capital by issuing a total of 19'190 new shares to 11'833'558 registered shares from its conditional share capital. The corresponding share capital amounts to CHF 2.4 million.

As of 30 June 2023 the conditional share capital for employee benefits amounts to CHF 112'439 (2022: 116'866), the conditional share capital for bonds and other instruments amounts to CHF 1'056'957 (2022: CHF 1'056'957). With the articles of association

dated 21 April 2023, Medartis Holding AG introduced a capital band of CHF 2'466'552 (lower limit) up to CHF 3'551'924 (upper limit) for 5 years, which authorises the Board of Directors to conduct one or more increases or decreases of the share capital at any time during this period. (In 2022 the authorised capital amounted to CHF 1'180'610)

To align the presentation of the equity components to that in the individual financial statements of Medartis Holding AG, an amount of CHF 1.1 million (2022: CHF 1.7 million) has been reclassified from retained earnings to capital reserves.

7. Financial instruments / Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the most advantageous market, if a principal market does not exist. The principal or the most advantageous market must be accessible by the Group.

Fair value hierarchy

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following tables show the carrying amounts and fair values of financial assets and liabilities by category of financial instrument in the balance sheet at 30 June 2023 and 31 December 2022.

30 June 2023	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial Assets					
Cash and cash equivalents	14'973'416				14'973'416 1)
Accounts receivable trade	46'265'809				46'265'809 1)
Other non-current financial assets	1'607'801				1'607'801 1)
Total	62'847'026				62'847'026
Financial liabilities					
Accounts payable trade	7'132'103				7'132'103 1)
Accounts payable other	908'898				908'898 1)
Accrued expenses	2'199'173				2'199'173 1)
Current financial debt and other financial liabilities	6'993'513				6'993'513 1)
Non-current financial debt and other financial liabilities	20'401'349				20'401'349 1)
Current contingent consideration				8'820'502	8'820'502
Non-current contingent consideration				15'258'404	15'258'404
Total	37'635'035			24'078'906	61'713'941

31 December 2022	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial Assets					
Cash and cash equivalents	20'604'902				20'604'902 1)
Accounts receivable trade	39'930'683				39'930'683 1)
Other non-current financial assets	1'557'002				1'557'002 1)
Total	62'092'587				62'092'587
Financial liabilities					
Accounts payable trade	9'595'396				9'595'396 1)
Accounts payable other	1'195'097				1'195'097 1)
Accrued expenses	2'666'442				2'666'442 1)
Current financial debt and other financial liabilities	5'619'447				5'619'447 1)
Non-current financial debt and other financial liabilities	22'335'573				22'335'573 1)
Contingent consideration				24'082'920	24'082'920
Total	41'411'956			24'082'920	65'494'875

Carrying amount approximates the estimated fair value due to the short-term nature of the financial instruments.

The level 3 non-current financial debt relates to the acquisition of Nextremity Solutions Inc. in H1 2022 and consists of contingent consideration payments in cash amounting to CHF 24.1 million (USD 26.8 million). 2022: CHF 24.1 million (USD 26.1 million). The total losses recognised through profit or loss amount to CHF 0.7 million (USD 0.7 million). H1 2022: CHF 0.3 million (USD 0.3 million).

A 100 base point increase in the effective discount rates would result in a fair value of the total contingent liability of CHF 23.8 million (USD 26.4 million). A 100 base point decrease in the effective discount rates would result in a fair value of CHF 24.4 million (USD 27.2 million).

The business combination includes contingent consideration arrangements that require Medartis Inc. to pay the former owners of Nextremity up to CHF 18.0 million (USD 20.0 million) (undiscounted) in three payments upon the launch of various milestone products in 2023-2025 ("the milestone payments") and additionally CHF 9.0 million (USD 10.0 million) (undiscounted) upon reaching a certain level of aggregate sales of all milestone products in 2025 ("Earn-out payment"). The potential undiscounted amount of the future payments that could be required to be paid in cash under the contingent consideration arrangements is CHF 27.0 million (USD 30.0 million). For the earn out payment, in case the target revenue is not reached, then the fair value would reduce by CHF 6.8 million (USD 7.6 million).

The fair value of the contingent consideration components was determined discounting the nominal amount of the payments expected to occur according to the expiry date (2023-2025) using Medartis Inc.'s cost of borrowing. As management expect that the three milestone payments will be paid in full, the fair value has been determined by discounting the maximum amount by using the cost of debt resulting in discount rates between 3.4% and 3.8%. For the earn-out payment management has considered a

discount rate of 11.6% as appropriate to take into account the specific risk of the industry and the small size of the target. These measures were based on significant inputs that are not observable in the market, which are considered Level 3 inputs.

8. Share based payment

Medartis Executive Management Plan

Medartis operated a corporate long-term incentive plan with restricted shares (LTI) for Members of the Executive Management Board. The amount of this long-term compensation is determined individually for each participant.

According to the plan rules, the amount, if any, for each individual participant shall be converted into a number of Medartis Holding AG shares at a conversion price of the average closing price of the share during the last 20 days before the annual general meeting, less a discount of 25%. The shares are subject to a restriction period for the next two years.

During the reporting period 12'662 RS (restricted shares) and 3'745 RSU (restricted share units) were granted. (2022: 8'164 RS and 2'331 RSU)

The related expenses amount to CHF 0.6 million (2022: CHF 0.6 million).

Medartis Board of Directors Restricted Share Plan

Medartis operated a share plan with restricted shares for the Board of Directors.

According to the plan rules, each board member may elect to receive a part of their fees in the form of restricted shares instead of cash.

The selected board fee portion shall be converted into a number of Medartis Holding AG shares at a conversion price of the volume weighted average share price during the last 20 trading days before the annual general meeting, less a discount of 15%. The

shares are subject to a restriction period for the next two years. During the reporting period 6'141 RS (restricted shares) were granted. (2022: 3'352 RS)

The related expenses amount to CHF 0.4 million (2022: CHF 0.4 million).

Medartis Employee Share Purchase Plan 1

In H1 2023, the related expenses amounted to CHF 0 (2022: CHF 0.17 million).

Medartis Employee Share Purchase Plan 2

In H1 2023, the related expenses amounted to CHF 0 (2022: CHF 0.23 million.).

Sign on bonus for NSI employees

In context with the NSI Acquisition a larger group of former employees of Nextremity have received a sign on retention bonus. This bonus will be vested in 3 instalments from 2024 – 2026 with an additional selling restriction of 1 year each. The settlement will be in restricted share units (RSU's) of Medartis Holding AG. For the reporting period the related expenses amount to CHF 0.1 million (2022: CHF 0.13 million).

9. Segment information

Operating segments requiring to be reported are determined on the basis of the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as the internal financial reporting to the Chief Operating Decision Maker (CODM), which has been identified as the Executive Management Board (EMB). The EMB is responsible for the operational management of the Group, in line with the instructions issued by the Board of Directors.

Due to the structure of the Group, Medartis' only entity which

performs production and procurement is located in Switzerland. All other entities are retail entities only and are not able to operate on a stand-alone basis. Medartis therefore constitutes only one operating segment which is represented by the whole Group itself.

The following table illustrates revenue from contracts with customers by regions and products.

30 June 2023 (CHF)	EMEA	APAC	LATAM	North America	Total
Net sales	51'525'015	15'776'468	10'492'647	25'456'564	103'250'693
Non-current assets ¹⁾	101'331'309	3'415'562	4'709'704	72'939'225	182'395'800
30 June 2022 (CHF)	EMEA	APAC	LATAM	North America	Total
Net sales	45'461'238	15'800'918	8'831'164	18'283'667	88'376'988
2022 (CHF)	EMEA	APAC	LATAM	North America	Total
Non-current assets ¹⁾	82'429'814	3'839'985	4'519'673	72'358'540	163'148'011

1) Property, plant and equipment, right of use assets, intangible assets and investments in associate

(CHF)	30 June 2023	30 June 2022
Upper Extremities	66'711'590	61'137'565
Lower Extremities	17'104'787	13'303'328
CMF and Others ¹⁾	19'434'317	13'936'095
Total	103'250'693	88'376'988

1) CMF (Cranio-maxillofacial) and Others includes revenue with Nextremity products.

Legal claim contingency

In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations. The Group is exposed to varying degrees of uncertainty related to tax matters, regulatory reviews and audits.

At 30 June 2023, the Group's quantifiable contingencies amounted to CHF 0 (2022: CHF 0). There are no single matters pending that the Group expects to be material in relation to the Group's business, financial result or results of operations.

The following is a description of the material legal matters currently ongoing.

As disclosed in the last Annual Report, there have been investigations of the authorities in Brazil – in the context of intensified anti-corruption efforts in the healthcare sector – into companies including Extera, the former Medartis distributor acquired in 2017 due to possible compliance violations.

Medartis is withholding CHF 1.0 million (value as of the 2nd anniversary of the Closing Date) of outstanding payments for the acquisition of Extera to be potentially offset against the costs arising from this matter and is evaluating to seek further indemnification from the former owners of Extera.

Medartis cooperated and entered into a Leniency Agreement with the relevant authorities in Brazil responsible for the investigations. CHF 1.9 million of the corresponding provision were used. In view of the ongoing litigations in relation to this matter, Medartis currently anticipates legal costs and other related expenses of up to CHF 0.2 million (2022: CHF 2.1 million). Accordingly, a corresponding provision exists.

On February 25, 2022, Extremity Medical, LLC filed a lawsuit against Nextremity Solutions, Inc. ("Nextremity"), Zimmer Biomet Holdings, Inc. and Zimmer, Inc. (together "Zimmer") for patent infringement in the US in connection with a product manufactured by Nextremity for Zimmer. Medartis will be indemnified by the former Nextremity shareholders from any costs incurred in connection with this claim, subject to a deductible in the amount of CHF 0.4 million (USD 0.4 million). Accordingly, an indemnification asset in the amount of CHF 0.5 million (USD 0.6 million) and a provision in the amount of CHF 0.9 million (USD 1.0 million) has been posted.

10. Commitments

At 30 June 2023 a contractual obligation for the purchase of inventory and PPE – not recognised as a liability, exists in the amount of CHF 2.2 million.

11. Events after the reporting period

There have been no events occurring after the reporting period which would have a material effect on the Medartis Group financials as at 30 June 2023.

Important dates and upcoming investor events

2023

15 August	2023 half-year results publication, Webcast
29 August	Investor meetings (virtual), Octavian, US / UK
30 August	Investor meetings, Octavian, Frankfurt
31 August	Investor meetings, ZKB, Zurich
05 September	Investor meetings, Paris
19 September	Investor meetings (virtual), US
02 November	Swiss Equity Conference, ZKB, Zurich
15 November	Healthcare Conference, Jefferies, London

2024

12 March	2023 Full-year results publication
17 April	Annual General Meeting 2024

Ticker symbols

The Medartis' shares are listed at the SIX Swiss Exchange since the company's initial public offering in 2018 and are a constituent of the SPI, SPI Extra as well as further SXI healthcare indices.

Valor:	38620023
ISIN:	CH0386200239
Symbol:	MED
Bloomberg:	MED:SW
Reuters:	MEDA.S
LEI	506700VUSP6HG3F28846

Contacts

Investor Relations:

investor.relations@medartis.com
Phone: +41 61 633 37 36

Media Relations:

corporate.communication@medartis.com
Phone: +41 61 633 37 34

Postal address:

Medartis AG
Hochbergerstrasse 60E
CH-4057 Basel
medartis.com

Disclaimer

Forward-looking statements

This Half-Year Report contains specific forward-looking statements, beliefs or opinions, including statements with respect to the product pipelines, potential benefits of product candidates and objectives, estimated market sizes and opportunities as well as the milestone potential under existing collaboration agreements, which are based on current beliefs, expectations and projections about future events. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may result in a substantial divergence between the actual results, financial situation, development or performance of Medartis Holding AG and its subsidiaries (the "Group") and those explicitly or implicitly presumed in these statements. The forward-looking statements are based on the information available to the Group on the date of this Half-Year Report and the Groups' current beliefs, forecasts and assumptions regarding a large number of factors affecting its business. Such beliefs and assumptions are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. There can be no assurance that: (i) the Group has correctly measured or identified all the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group's analysis is based is complete or accurate, (iii) the Group's analysis is correct or (iv) the Group's strategy, which is based in part on this analysis, will be successful. Factors that affect the Group's business include, but are not limited to, (i) general market, governmental and regulatory trends, (ii) competitive pressures, (iii) technological developments, (iv) effectiveness and safety of the Group's products, (v) management changes, (vi) changes in the market in which the Group operates and (vii) changes in the financial position or credit-worthiness of the Group's customers and partners. The Group assumes no liability to update forward-looking statements or to conform them to future events or developments.