medartis

2024
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 medartis.com

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Key Financial Figures

13.1%
Underlying global growth

21% & 18%
Growth in US and EMEA

80.3%
Gross margin

14.6%
Underlying EBITDA margin

in CHF m	**H1 2024 as reported**	**H1 2024 excl. one-off items***	**Ad info: H1 2023 as reported**	**YoY growth as reported %**
Group Net Sales	111.5	111.5	103.3	7.9%
Group Net Sales excl. 3rd party manufacturing	**107.6**	107.6	97.6	10.2%
EMEA	59.5	59.5	51.5	15.5%
US	23.2	23.2	19.9	16.6%
APAC	15.6	15.6	15.8	-1.3%
LATAM	9.4	9.4	10.5	-10.5%
Gross Profit	**89.6**	89.6	79.7	12.4%
% of net sales	80.3%	80.3%	77.2%	
Operating Profit (EBIT)	**3.5**	5.5	2.1	63.1%
% of net sales	3.1%	4.9%	2.1%	
Net Profit	**2.6**	4.6	-0.8	n/m
% of net sales	2.3%	4.1%	-0.8%	
EBITDA	**23.9**	16.3	12.4	92.7%
% of net sales	21.4%	14.6%	12.0%	
Operating & Investment Cash flow before M&A and Financing	**2.2**	2.2	-11.9	n/m
% of net sales	2%	2%	-12%	

*resulting from impairment of NSI product technology and milestone payment contingent liability

Business Review

Medartis reports 13% revenue growth on Group level, driven by strong regional growth in the US (21%) and EMEA (18%) – improvement of EBITDA* margin to 17%

- Underlying group sales growth of 13.1% CER; growth including 3rd party manufacturing of 10.8% CER resulting in reported net sales of CHF 111.5m
- The underlying US business achieved YoY growth of 20.6%, followed by EMEA with 17.8%; growth in APAC and LATAM lower than expected with 3.1% and -9.5% YoY respectively – Australia was affected by further government-imposed price cuts while Brazil faced a change in the private insurance sector that caused a decline in elective procedures
- Improved gross margin of 80.3% (H1 2023: 77.2%), driven mainly by better manufacturing efficiency in Basel and higher volumes
- EBITDA margin excluding 3rd-party manufacturing and further non-recurring items improved to 17.2% (H1 2023: 13.2%), without compromising ongoing investments into key growth markets; underlying EBIT margin doubled to 4.9%
- Reported profitability was 21.4% on EBITDA level and 3.1% on EBIT, impacted by a one-off amortization of intangible assets and the related release of a contingent liability
- Cash position strengthened following the issuance of a convertible bond in April 2024 – financing for potential acquisition of Keri Medical secured
- Successful global launch of Foot 2 System, CCS line extensions and Scaphoid plates; further launches planned for H2 2024
- Continuous strengthening of key functions through hiring, internal development and transfer of talents into US
- Guidance revised for FY: 12-15% CER growth for the underlying business; around 15% underlying EBITDA margin at CER

*excluding 3rd-party business and further non-recurring items

Regional performance

In **EMEA** Medartis continued to perform very well, achieving overall growth of 17.8% and double digits in all countries. The DACH region grew 17%, led by Germany with 19%. Southern Europe, composed of France and Spain, grew more than 21%. The UK achieved almost 20% growth, while Poland and the 29 distributor markets attained 19%. EMEA benefited from the solid performance of Keri Medical products, which Medartis sells as a distributor in Germany, Austria and the UK and which fit perfectly into the hand and wrist portfolio, allowing cross-selling in both directions.

In the **US** Medartis grew by 20.6%. Monthly run rates have increased consistently, generated by the direct sales force and 57 independent distributors with 276 sales agents. The key growth driver in the US was the hand and wrist segment, driven mainly by Medartis' flagship distal radius plates, as well as the distribution of KeriFlex and Field Orthopedics products. Growth of acquired NSI products has been slow as it is taking longer than expected to convert customers to instrument-guided Lapidus procedures. The US is building up commercial channels as a priority, focusing on fostering sales excellence by further bolstering the team with new additions in product management, marketing and medical education, and also by intensifying training and education activities.

In **APAC** Medartis grew +3.1% YoY, with significant impacts from additional price cuts in Australia's private insurance sector in H1. While volume growth was around 10%, value growth was fairly flat. The impact on reimbursements placed increasing strain on the hospital sector, patient waiting lists and the medical technology market. In late H1, Medartis prepared for the launch of Keri Touch in Australia, for which it recently received regulatory approval, and an initial cad lab was conducted with Medartis' and Keri Medical's worldwide faculty members. Dedicated field trainers and the sales force are currently being built up to support the launch. In Japan, the direct business more than doubled YoY, while the transition from the former distributor business to direct sales with a parallel switch into sterile products is ongoing and expected to further accelerate growth. Japanese surgeons have also shown very strong interest in the education offering from Medartis' alliance with IBRA. Although the absolute size of the distributor markets (excl. Japan) remains small, they achieved solid growth, despite some headwind due to Korean surgeon strikes.

Finally, in **LATAM** Medartis declined -9.5% YoY after facing some notable challenges. In Brazil, the largest health insurers in the private insurance sector merged, which means that since February Medartis has had to re-negotiate pricing with hospitals directly. This has led to a decline in elective procedures that are subject to a complex pre-approval process. Furthermore, there have been delays in the regulatory approval of new products. These factors have significantly affected performance, with negative growth of 27% in H1. Mexico also grew slower than expected, largely because of a reduction in government purchases around the election period. Distributor markets, however, were up 13% – despite challenges in Colombia and Argentina due to healthcare system changes and government adjustments – with strong growth in Costa Rica, in particular.

Business segment performance

Growth H1 2024 at CER (excl. 3rd parties):

	EMEA	APAC	LATAM	North America	Total
Upper extremities	14.7%	-3.5%	4.8%	20.0%	12.0%
Lower extremities	25.4%	21.1%	4.0%	10.8%	20.7%
CMF & other products	26.6%	8.0%	-30.9%	35.4%	12.1%
Total	**17.8%**	**3.1%**	**-9.5%**	**20.6%**	**13.1%**

In the first half of 2024, Medartis generated CHF 72.8m net sales through the upper extremities business, amounting to 68% of total revenues. 19% of sales (CHF 20.0m) were generated with products in the lower extremities segment, with cranio-maxillofacial and other products and services accounting for the remaining 14%.

Upper extremities: Buoyed by Keri Medical, in EMEA the hand and wrist segment contributed 33% to overall sales. Upper extremities, which also includes clavicle, shoulder, forearm and elbow, continued to grow by a further 15% YoY despite already having a high share of the market. In the US, KeriFlex, which was introduced about one-and-a-half years ago, grew significantly and boosted overall sales in the hand segment to 26%. Medartis' US wrist business accelerated to almost 20% growth, driven mainly by distal radius products. In APAC, the negative growth in upper extremities was driven by distributor markets and Australia, where the distal radius portfolio's underlying volume growth remained at almost 10% but was affected in value terms by further price cuts. Meanwhile, growth in upper extremities amounted to over 500% in Japan, but the absolute size of this business is still small.

Lower extremities: The launch of a new foot system accelerated sales in EMEA and APAC, where CCS screws also bolstered performance. The US performed below expectations in this segment, growing just under 11%. Feedback from surgeons on the acquired NSI technology remains positive, but conversion of new doctors is taking longer than planned while channel building is also progressing slower than expected. Medartis US will continue to invest in training and education as well as marketing to better address these challenges. Japan meanwhile recorded strong growth in lower extremities.

CMF: The transition from Modus 1 to Modus 2 according to MDR requirements in EMEA has accelerated sales and led to 28% CMF growth in the region. Meanwhile, the CMF business in LATAM declined 31% as a result of the changes in the Brazilian insurance system.

3rd party manufacturing: This business, which was taken over as part of the acquisition of NSI, is decreasing according to plan. While Medartis will fulfill existing contracts, it will make use of available capacity to gradually increase production of its own products.

Product development and innovation

Medartis continuously innovates in order to further deepen its product portfolio across core strategic segments in extremities and CMF. During the first six months in 2024, the company launched a number of new products and line extensions.

Midfoot 2.8, Mid- and Hindfoot 2.8/3.5 & Fusion 3.5 System: Medartis launched new additions to its foot portfolio, including a unique sales kit with comprehensive training content and promotional material for three different indications.

The expansion of the Hallux and Midfoot System 2.8 offers surgeons enhanced flexibility, precision, and adaptability with coverage of several new indications and a variety of plate sizes. The Mid- and Hindfoot System 2.8/3.5 provides an unparalleled level of surgical precision and control through unique independent plate and wedge positioning. The Fusion 3.5 System not only empowers surgeons with excellent precision in compressing individual joints but also offers a tailored and versatile range of adaptable plates.

CCS Extensions: In May, the CCS System was extended with additional fully threaded screws, new lengths and an improved thread design, offering a technologically advanced solution. The screw can now also be used as an intramedullary fixation solution for the metacarpals – a procedure that is trending in many markets – offering surgeons an alternative to external plate fixations both for upper as well as lower extremity fractures.

Scaphoid plate: In June, Medartis' successful and unique scaphoid plate portfolio was extended with two additional sizes to better cater for differences in scaphoid size and shape.

Dorsal olecranon plates: In July the company started a limited rollout of its new dorsal olecranon plates, complementing the existing elbow portfolio to close an indication gap. The design is set apart by its anatomical shape, soft tissue protection and solid fixation of the coronoid. The full launch is planned for H1 2025.

Strengthening of key functions through new hires and transfers in the US and globally

Over the last six months, Medartis has hired and also relocated a number of key talents to further accelerate US growth and continue to professionalize and build a stronger and more agile organization. In March Inge Maes joined Medartis as its new CHRO, bringing exceptional expertise and experience of leading global HR functions to the Executive Management Board. Moreover, various senior positions in Global Surgeon Relations and Market Development, Marketing, Training and Education, Field Training as well as Global Supply Chain, Purchasing, PMO Management, Finance and IT were filled. In addition, some employees with deep knowledge and long-standing experience have relocated from Basel to the US to support product management, operations and manufacturing.

Operational and financial performance

In H1 Medartis achieved a gross margin of 80.3%, an improvement of 310 bps compared with H1 2023. This improvement mostly stems from increased operating efficiency in Basel's production, including the introduction of new sterile and non-sterile packaging, bringing significant unit cost savings, a reduction in scrapping expenses as well as higher agility and lower lead time in the supply chain. The gross margin was also positively affected by the reduction in volume of the 3rd party manufacturing business which Medartis took over from NSI as part of the acquisition. Excluding the 3rd-party manufacturing business, the gross margin was 83.4%. As planned, this business, which has a much lower gross margin than Medartis, is phasing out over the next 12-18 months and will therefore have less dilution impact on the blended gross margin going forward. Approx. 50 bps of the improvement is due to the non-repetition of one-off costs following the IT hack in May 2023. These positive effects were partially reduced by an increase in Keri Medical product sales, which – as long as Medartis remains only a distributor of this business – have a lower margin than its own products.

Operating expenses were managed through continued strong cost discipline across the company. The US has started to gain better cost efficiency as it grows, while management continues to invest in improving sales channels, training and education and back-office process stability. Set management has further improved YoY and will allow better capital efficiency going forward. In Japan, Medartis has incurred a significant spend of around CHF 3.5m in taking over the business of a former distributor. While cost efficiency in EMEA remained high, the cost ratios for LATAM and APAC decreased slightly following the unexpected top line decline in Brazil and Australia due to the insurance merger and price cuts respectively. Medartis will monitor the situation carefully over the next six to 12 months before implementing any potential cost reduction measures.

The reported EBITDA margin of 21.4% temporarily increased due to a one-off effect related to the acquisition of the former NSI technology portfolio. As the launch of certain products is taking longer than expected, the value of some intangible assets had to be impaired, resulting in a one-off non-cash expense of CHF 9.6m. This was partially offset by the release of a contingent liability relating to a milestone payment to former NSI shareholders for NSI products sales in 2025. Excluding these items, the underlying EBITDA margin was 14.6%. Adjusted for further non-core and one-off items it even reached 17.2%. On an EBIT level, the Group achieved 4.9% for the underlying excl. NSI revaluation and 7.1% excluding other non-core and one-off items. Underlying profitability is in line with management expectations and guidance which assumed a higher top line in LATAM and APAC.

Medartis achieved a net profit of CHF 2.6m in H1 vs a reported net loss of CHF 0.8m in H1 2023. The net profit also includes interest expenses of about 6.1% from the issuance of the CHF 115.8m convertible bond in April, of which only 3% is cash effective.

Operating cash flow before M&A and financing improved significantly year-on-year and finished at CHF 2.2m vs CHF -11.9m in H1 2023. The NSI related re-valuation of contingent liabilities as well as intangible asset values in H1 2024 had no cash impact. As of June 2024, Medartis' cash position is CHF 127.1m, allowing for a potential full acquisition of Keri Medical in the next 12 months. Any decisions regarding this acquisition will be made by Medartis' Board of Directors based on Keri Medical's operative and financial performance during 2024.

Guidance for the full year

Given that growth in the first half-year in LATAM and APAC was lower than expected, Medartis is adjusting its guidance for the full year 2024. While the Group remains confident in its ability to outperform the underlying market, full-year growth is expected to be between 12-15% at CER.

Profitability levels of the underlying EBITDA should further improve in the second half of the year and thus allow Medartis to achieve around 15% at current exchange rates for the full year, depending on top line development.

Medartis Group Interim Consolidated Financial Statements

INTERIM CONSOLIDATED BALANCE SHEET (1/2)

	Unaudited	
(in CHF thousands)	**30 June 2024**	**31 December 2023**
Assets		
Current assets:		
Cash and cash equivalents	127’088	25’201
Accounts receivable trade	42’568	40’476
Accounts receivable other	6’807	5’664
Income tax receivables	664	439
Inventories	78’135	68’301
Prepaid expenses	2’859	1’338
Total current assets	**258’121**	**141’419**
Non-current assets:		
Property, plant and equipment	54’462	54’080
Right-of-use assets	25’284	25’987
Intangible assets	60’127	64’653
Investment in associate	34’394	33’259
Financial assets	844	998
Deferred tax assets	31’286	29’138
Total non-current assets	**206’395**	**208’115**
Total assets	**464’516**	**349’534**

INTERIM CONSOLIDATED BALANCE SHEET (2/2)

	Unaudited	
(in CHF thousands)	**30 June 2024**	**31 December 2023**
Liabilities and equity		
Current liabilities:		
Accounts payable trade	7'526	8'240
Accounts payable other	22'664	17'187
Income tax payables	3'782	488
Accrued expenses	6'478	3'316
Current financial debt and other financial liabilities	7'207	6'759
Contingent consideration liabilities	7'944	8'392
Provisions	1'503	1'573
Total current liabilities	**57'104**	**45'956**
Non-current liabilities:		
Non-current financial debt and other financial liabilities	113'742	20'627
Contingent consideration liabilities	968	14'781
Provisions	2'703	2'609
Employee benefit obligation	11'420	10'403
Deferred tax liabilities	6'013	200
Total non-current liabilities	**134'846**	**48'620**
Total liabilities	**191'950**	**94'575**
Shareholders' equity		
Share capital	2'716	2'472
Capital reserves	289'685	288'410
Treasury shares	(240)	-
Currency translation adjustments	(3'350)	(5'082)
Retained earnings	(16'245)	(30'841)
Total shareholders' equity	**272'566**	**254'959**
Total liabilities and equity	**464'516**	**349'534**

The accompanying notes form an integral part of the interim consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

	Unaudited	Unaudited
(in CHF thousands, except otherwise indicated)	**H1 2024**	**H1 2023**
Net revenue	111’527	103’251
Cost of goods sold	(21’967)	(23’514)
Gross profit	**89’561**	**79’737**
Selling and distribution	(52’099)	(48’283)
Research and development	(22’141)	(13’410)
General and administration	(19’588)	(15’249)
Share of results of associate	741	(0)
Other operating income/(expense)[1)]	6’987	(672)
Operating profit/(loss)	**3’460**	**2’123**
Finance income	2’042	188
Finance expense[1)]	(2’312)	(2’166)
Income/(loss) before taxes	**3’190**	**145**
Income tax expense/income	(625)	(993)
Net income/(loss)	**2’565**	**(848)**
Attributable to:		
Medartis Holding AG shareholders	2’565	(848)
Earnings per share (in CHF):		
Basic and diluted earnings per share (in CHF)	0.19	(0.07)

In the comparative figures for H1 2023 CHF 672 thousand of changes in fair value on contingent consideration have been reclassified from finance expense to other operating expense within operating profit/(loss) as a result of an accounting policy change, see note 2.

The accompanying notes form an integral part of the interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	Unaudited
(in CHF thousands)	**H1 2024**	**H1 2023**
Net income/ (loss)	2'565	(848)
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit post-employment plans	(1'202)	(3'067)
Income tax relating to items that will not be reclassified to profit or loss	157	400
Total components that will not be reclassified to profit or loss	**(1'045)**	**(2'667)**
Components of other comprehensive income that may be reclassified subsequently to profit or loss:		
Currency translation effects	2'940	(595)
Share of other comprehensive income of associate	171	(110)
Income tax relating to items that may be reclassified subsequently to profit or loss	(1'379)	536
Total components that may be reclassified subsequently to profit or loss	**1'731**	**(170)**
Total other comprehensive income/(loss)	**686**	**(2'836)**
Total comprehensive income/(loss)	**3'251**	**(3'684)**
Attributable to:		
Medartis Holding AG shareholders	3'251	(3'684)

The accompanying notes form an integral part of the interim consolidated financial statements.

INTERIM CONSOLIDATED CASH FLOW STATEMENT (1/2)

	Unaudited	Unaudited
(in CHF thousands)	**H1 2024**	**H1 2023**
Net income/ (loss)	2’565	(848)
Adjustments for:		
Income tax income/expense	625	993
Interest income	(407)	(188)
Interest expenses	1’896	395
Loss on disposal of property, plant and equipment	146	141
Depreciation and amortization of:		
Property, plant and equipment and right of use assets	9’234	9’130
Intangible assets	1’577	1’128
Impairment acquired products	9’586	-
Remeasurement contingent consideraton liabilities	(6’988)	672
Change in provisions and pension obligations	(161)	(3’313)
Share based compensation	275	983
Other non-cash items	(735)	619
Changes in net working capital:		
Inventories	(9’834)	(3’121)
Accounts receivable trade, accounts receivable other, prepaid expenses	(4’757)	(8’895)
Accounts payable trade, accounts payable other, accrued expenses	6’664	77
Interest received	407	188
Income tax paid/received	(776)	(859)
Cash flow from/(used for) operating activities	**9’320**	**(2’898)**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (2/2)

	Unaudited	Unaudited
(in CHF thousands)	**H1 2024**	**H1 2023**
Cash payments to acquire property, plant and equipment	(5’146)	(7’380)
Proceeds from disposals of property, plant and equipment	22	16
Cash payments to acquire intangible assets	(2’018)	(1’627)
Additions/Disposals to financial assets	154	(51)
Cash payment contingent consideration liability	(8’478)	-
Cash payment to participate in capital increase of an associate	-	(1’483)
Cash payment to acquire investment in associate	-	(18’132)
Cash flow from/(used for) investing activities	**(15’467)**	**(28’657)**
Proceeds from capital increases	-	29’743
Proceeds from convertible bond (net after transaction costs)	112’398	
Repayment current financial debt	(448)	(462)
Repayment of lease liability	(3’583)	(2’837)
Interest paid on lease liability	(390)	(390)
Cash flow from/(used for) financing activities	**107’977**	**26’054**
Net change in cash and cash equivalents	**101’830**	**(5’501)**
Cash and cash equivalents at the beginning of the year (1 January)	25’201	20’605
Net effect of currency translation on cash and cash equivalents	57	(131)
Cash and cash equivalents at the end of the year (31 December)	**127’088**	**14’973**

The accompanying notes form an integral part of the interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Medartis Holding AG shareholders					
(in CHF thousands)	Share capital	Capital reserves	Treasury shares	Currency translation adjustments	Retained earnings	Total shareholders' equity
1 January 2023	**2'371**	**257'645**		**814**	**(23'051)**	**237'779**
Net loss					(848)	(848)
Other comprehensive income/(loss)				(59)	(2'667)	(2'726)
Total comprehensive income/(loss)				**(59)**	**(3'515)**	**(3'574)**
Capital increase	100	30'755			(1'077)	29'778
Share based compensation					983	983
30 June 2023	**2'471**	**288'401**		**755**	**(26'660)**	**264'966**
1 January 2024	**2'472**	**288'410**		**(5'082)**	**(30'841)**	**254'959**
Net income					2'565	2'565
Other comprehensive income/(loss)				1'731	(1'045)	686
Total comprehensive income/(loss)				**1'731**	**1'520**	**3'251**
Capital increase	4	1'275			(1'212)	68
Shares issued	240		(240)			-
Convertible bond					13'723	13'723
Share based compensation					565	565
30 June 2024	**2'716**	**289'685**	**(240)**	**(3'350)**	**(16'245)**	**272'566**

The accompanying notes form an integral part of the interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(in CHF thousands, except otherwise indicated)

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 2024 were authorized for issue in accordance with a resolution of the Board of Directors on 16 August 2024.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ending 30 June 2024 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 consolidated financial statements as at 31 December 2023.

Medartis Group changed its accounting policy with respect to the presentation of fair value changes of contingent consideration arrangements within operating profit/(loss) rather than finance income/expense. This reflects the operating nature of the released earn-out contingency. Otherwise, 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 2023. 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 no significant seasonal or cyclical variations in the total sales are experienced during the financial year.

4. REVENUE

Revenue from contracts with customers grouped by implants and services are as follows:

	H1 2024	H1 2023
Net proceeds of deliveries of implants	**110'473**	102'586
Net proceeds of services	**1'055**	665
Total net revenue	**111'527**	103'251

Disaggregation of revenue:

	H1 2024	H1 2023
Upper Extremities	**72'751**	66'825
Lower Extremities	**19'960**	17'120
Cranio-Maxillofacial (CMF) and Others[1]	**18'816**	19'306
Total net revenue	**111'527**	103'251

[1] CMF and Others includes revenue with Nextremity Solutions products

5. SEGMENT INFORMATION

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.

Based on the Groups structure 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 standalone basis. Therefore, Medartis constitutes with only one segment which is represented by the whole Group itself. Nevertheless, the EMB monitors all revenues on a country and product basis. Revenues are allocated to the regions by location of the customer.

30 June 2024	Switzerland	United States	Germany	Australia	Other	Total
Net revenue	13'088	27'084	26'790	9'779	34'787	111'527

30 June 2023	Switzerland	United States	Germany	Australia	Other	Total
Net revenue	12'766	25'457	23'085	10'307	31'636	103'251

6. CONVERTIBLE BOND

On 4 April 2024, Medartis placed a convertible bond in the amount of CHF 115.8 million due in 2031 with payment date on 11 April 2024. The issue price and the redemption prices are set at 100%.The convertible bond has a coupon of 3% p.a. The shares to be delivered upon conversion will be made available by existing shares or by the issue of new shares from the conditional capital. The initial conversion price per share is CHF 100.725. This corresponds to a conversion premium of 27.5% over the share price when the bond was placed.

Medartis has the right to redeem all Bonds outstanding at any time on or after 2 May 2029 until and excluding the Maturity Date, if the VWAP of a Share on each of at least 20 out of 30 consecutive Trading Days ending not earlier than 5 Trading Days prior to the date on which the relevant notice of Redemption is given has been at least 130 per cent of the Conversion Price in effect on such Trading Day.

The convertible bond is split into a liability and an equity component for accounting purposes. The liability component corresponds to the market value of an identical bond, but without conversion rights, and is carried at amortized cost. The equity component is calculated as the difference between the issue proceeds and the liability compnent. The equity component is not revalued. The issue costs in the amount of CHF 3.4 million were allocated in proportion to the allocation of proceeds to the liability (CHF 2.8 million) and equity component (CHF 0.6 million).

(CHF)	H1 2024
Liability component upon issue at fair value	95'781
Proportional issue costs	-2'814
Net liability component upon issue	**92'967**
Interest expense (amortized cost)	642
Net liability component	**93'608**
Open par value	115'800
Carrying amount of equity component	20'019
Proportional issue costs	-588
Deferred taxes	-5'708
Net equity component upon issue	**13'723**

No rights were converted in the reporting period. In connection with the issuance of the convertible bond, Medartis created 1'199'665 new shares and a share lending agreement ("Securities Lending") was concluded with a financial institution. As the risks and rewards of the shares remain with Medartis, the shares lent continue to be treated as treasury shares. The purpose of this agreement is to facilitate the hedging activities of the investors. As consideration for this arrangement, Medartis receives a lending fee, which is recognised in profit or loss.

7. FINANCIAL INSTRUMENTS / FAIR VALUE MEASUREMENT

The following tables show the carrying amounts of financial assets and liabilities by category of financial instrument in the balance sheet at 30 June 2024 and 31 December 2023.

	Carrying amount (based on measurement basis)				
30 June 2024	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	Total
Financial Assets					
Cash and cash equivalents	127'088	-	-	-	127'088
Accounts receivable trade	42'568	-	-	-	42'568
Other non-current financial assets	844	-	-	-	844
Total	**170'500**	**-**	**-**	**-**	**170'500**
Financial liabilities					
Accounts payable trade	7'526	-	-	-	7'526
Accounts payable other	1'314	-	-	-	1'314
Accrued expenses	6'478	-	-	-	6'478
Current financial debt and other financial liabilities	7'207	-	-	-	7'207
Non-current financial debt and other financial liabilities	20'134	-	-	-	20'134
Convertible bond	93'608	-	-	-	93'608
Contingent consideration liabilities	-	-	-	8'912	8'912
Total	**136'267**	**-**	**-**	**8'912**	**145'179**

	Carrying amount (based on measurement basis)				
31 December 2023	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	Total
Financial Assets					
Cash and cash equivalents	25'201	-	-	-	25'201
Accounts receivable trade	40'476	-	-	-	40'476
Other non-current financial assets	998	-	-	-	998
Total	**66'675**	**-**	**-**	**-**	**66'675**
Financial liabilities					
Accounts payable trade	8'240	-	-	-	8'240
Accounts payable other	1'589	-	-	-	1'589
Accrued expenses	3'316	-	-	-	3'316
Current financial debt and other financial liabilities	6'759	-	-	-	6'759
Non-current financial debt and other financial liabilities	20'627	-	-	-	20'627
Contingent consideration liabilities	-	-	-	23'173	23'173
Total	**40'531**	**-**	**-**	**23'173**	**63'705**

Carrying amount approximates the estimated fair value due to the short-term nature of the financial instruments. The convertible bond liability is initially recognized at fair value less directly attributable transaction costs. Subsequent measurement of the bond is at amortized cost.

The level 3 non-current financial debt relates to the acquisition of Nextremity Solutions Inc. (NSI) in H1 2022 and consists of contingent consideration payments in cash amounting to CHF 8.9 million (USD 9.9 million). 2023: CHF 23.2 million (USD 27.6 million). The losses recognised through other operating income amount to CHF 0.6 million (USD 0.6 million). H1 2023: CHF 0.7 million (USD 0.7 million).

A 100 base point increase in the effective discount rates would result in a fair value of the total contingent liability of CHF 8.8 million (USD 9.8. million). A 100 base point decrease in the effective discount rates would result in a fair value of CHF 8.9 million (USD 10.0 million).

The business combination initially included contingent consideration arrangements that require Medartis Inc. to pay the former owners of NSI 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”). An additional 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”).

During H1 2024 the first milestone payment in the amount of CHF 8.5 million (USD 9.9 million) was made.

The liability for the earn out payment of CHF 7.6 million (USD 8.5 million) was fully released to other operating income in H1 2024 based on reduced sales expectations regarding the acquired products (refer to Note 10 Impairment).

The potential undiscounted amount of the future payments that could be required to be paid in cash under the contingent consideration arrangements is CHF 8.9 million (USD 10.0 million).

The fair value of the contingent consideration components was determined by discounting the nominal amount of the payments expected to occur according to the expiry date (2024-2025) using Medartis Inc.’s cost of borrowing. As management expect that the two 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%. 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 operates 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.

During the reporting period 16’388 RS (restricted shares) and 885 RSU (restricted share units) were granted (2023: 12’662 RS and 3’745 RSU).

The related expenses amount to CHF 0.15 million (2023: CHF 0.6 million)

Medartis Board of Directors Restricted Share Plan

Medartis operates 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.

During the reporting period 2’668 RS (restricted shares) were granted (2023: 6’141RS).

The related expenses amount to CHF 0.2 million (2023: CHF 0.4 million).

9. SHAREHOLDER'S EQUITY

The share capital is represented by 13'580'641 registered shares (2023: 12'354'892) of CHF 0.20 (2023: 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 2024, Medartis Holding AG increased its share capital by issuing a total of 1'221'456 new shares to 13'580'641 registered shares from its conditional share capital. The corresponding share capital amounts to CHF 2.7 million.

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 amounted to CHF 2.5 million.

As of 30 June 2024 the conditional share capital for employee benefits amounts to CHF 107'222.40 (2023: CHF 112'439), the conditional share capital for bonds and other instruments amounts to CHF 1'056'957.20 (2023: CHF 1'056'957.20).

As of 30 June 2024, Medartis Holding AG has a capital band between CHF 2'471'837.00 (lower limit) and CHF 3'557'209.40 (upper limit) within which the Board of Directors is authorized to increase and/or reduce the share capital at any time and any number of times until 20 April 2028. In H1 2024, the Board of Directors has used the capital band one time to increase the share capital by CHF 239'933.00 (2023: 0).

To align the presentation of the equity components to that in the individual financial statements of Medartis Holding AG, an amount of CHF 1.3 million (2023: CHF 1.1 million) has been reclassified from retained earnings to capital reserves.

10. IMPAIRMENT

During H1 2024 impairment charges of CHF 9.6 million (USD 10.7 milion) to intangible assets were recorded. The charges where driven by reduced sales expectations regarding the acquired products of the NSI acquisition. The recoverable amount of the value in use amounts to CHF 8.6 million (USD 9.6 million). The applied discount rate is 16.43%.

11. 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.

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 incurred in connection with this matter.

Medartis has cooperated and entered into leniency agreements with the relevant authorities. Civil claims against the former owners of Extera are still ongoing and Medartis is evaluating to seek further indemnification. Medartis is therefore upholding the provision for anticipated legal costs and other related expenses amounting to to CHF 0.2 million (2023: to CHF 0.2 million).

12. OTHER COMMITMENTS

At 30 June 2024, the Group had other commitments for milestone payments of CHF 0.9 million (2023: CHF 0.4 million) and contractual commitments for the acquisition of property plant and equipment of CHF 0.4 million (2023: CHF 0.6 million).

13. 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 2024 or require disclosure.

Upcoming corporate events

2 September 2024	Octavian Healthcare Trip Reverse Roadshow, Basel
11 September 2024	UBS Best Of Switzerland, Ermatingen
6-8 November 2024	Swiss Equity Conference, ZKB, Zurich
19-21 November 2024	Healthcare Conference, Jefferies, London
18 March 2025	2024 full-year results publication
25 April 2025	Annual General Meeting 2025

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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

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