

2018 | Remuneration Report

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Remuneration report

The present remuneration report of Medartis Holding AG sets out the guiding basic remuneration principles, the governance rules around compensation decisions, the current compensation architecture and elements, as well as the actual remuneration paid and / or allocated to the Board of Directors and the Executive Management Board for the reported year. It is in compliance with the requirements of the Ordinance Against Excessive Compensation in Publicly Listed Companies ("VegüV"), Medartis' Articles of Association and, with respect to compensation disclosure, article 5 of the appendix to the SIX Exchange Regulation Directive on Corporate Governance (DCG) and section 38 of appendix 1 of the Swiss Code of Best Practice for Corporate Governance.

1. Basic remuneration principles

Medartis' remuneration system underpins the group's commitment to attract, engage and retain the best talent within the industry. The Articles of Association of Medartis Holding AG stipulate the following basic principles:

- Board of Directors (Art. 30): The remuneration of the members of the Board of Directors consists of a fixed compensation, which is paid in cash and / or in the form of shares. It may comprise other compensation elements and benefits.
- Executive Management Board (Art. 31): The remuneration of the Executive Management Board consists of fixed remuneration elements (comprising base salary and possibly other remuneration elements and benefits) and variable compensation elements (consisting of short-term and / or long-term compensation components). The variable components may be paid in cash and / or shares, options or other equity-based instruments.
- Approval by the general meeting of shareholders (Art. 16) (General Meeting): The General Meeting approves annually, on a binding basis and at the request of the Board of Directors, the aggregate amounts of the fixed remuneration of the Board of Directors for the period up to the next ordinary General Meeting, and of the Executive Management Board for the next full financial year following the year of the ordinary General Meeting. The General Meeting further approves annually the total amount of variable remuneration elements (short-term and long-term) for the Executive Management Board for the current financial year in a binding and separate manner.
- Additional amount for newly appointed members of the Executive Management Board (Art. 32): Should new members of the Executive Management Board be appointed after the resolution of the General Meeting, an additional amount of up to 140% of the latest CEO total compensation in case of a new CEO appointment, and / or up to 140% of the latest average group executive's total compensation in case of appointment of other new members of the Executive Management Board, may be granted according to article 32 of the Articles of Association. In addition, and based on the same article, buy-out awards in the amount of up to CHF 1'000'000 to a newly appointed CEO and / or up to CHF 500'000 for other newly appointed members of the Executive Management Board may be granted in order to compensate the newly appointed executives for the loss of deferred compensation elements with their previous employer. The General Meeting does not vote on the additional amount used according to article 32 of the Articles of Association.
- No loans, credits, additional pension benefits (Art. 33): Members of the Board of Directors and of the Executive Management Board may not be granted any loans, credits or pension benefits outside the scope of occupational benefits, except for loans up to CHF 250'000 per individual to bridge-finance legal costs.
- Maximum contractual terms (Art. 36): Employment contracts with members of the Executive Management Board may be concluded for a fixed term of up to 1 year, or for an indefinite term with a notice period of up to 1 year.

2. Remuneration governance and processes

The overall responsibility for the implementation of the statutory remuneration principles lies with the Board of Directors. According to the Remuneration Committee Charter (Art. 3) and the Articles of Association of Medartis Holding AG (Art. 27), the Remuneration Committee assists the full Board of Directors in the following tasks:

- Preparation of the remuneration report
- Preparation of the proposals regarding the maximum remuneration amounts of the Board of Directors and the Executive Management Board for approval by the General Meeting;
- Implementation of resolutions passed by the general meeting of the shareholders in this respect
- Agreements on the additional amount pursuant to Article 32 of the Articles of Association;
- Appointment and dismissal of persons entrusted with the management of the company or individual branches thereof;
- Setting-up, monitoring and regularly reviewing of the remuneration policy and guidelines at the highest level of the Company, as a whole;
- Setting of the conditions for the remuneration of the members of the Board of Directors and of the Executive Management Board in the form of equity securities, conversion rights and option rights;
- Determination and review of the objectives and the target level of the short- and long-term performance-related remuneration elements and evaluation of their achievement levels with ensuing payout.

Details on the constitution of the Board of Directors and of the Remuneration Committee, as well as regarding further details such as, for example, maximum number of external mandates, can be found in Medartis' corporate governance report.

The Board of Directors or, upon delegation by the Board of Directors, the Remuneration Committee determines annually the performance values and the variable short- and long-term compensation elements, their amount and attainment, as well as the allocation conditions, vesting conditions and periods, as well as any blocking periods and expiration conditions in accordance with the compensation plan regulations.

The Chairman of the Remuneration Committee reports to the Board of Directors after each meeting on the activities of the committee. Every member of the Board shall receive a copy of the minutes of every meeting of the Remuneration Committee.

The Remuneration Committee recommends, and the Board of Directors determines, on an annual basis, the amount of the remuneration of the individual members of the Board of Directors, including its Chairman, subject to and within the limits of the maximum total amount approved by the General Meeting. All decisions are subject to Medartis' conflict of interest policy as put forward in the Organizational Regulations (Art. 32).

Remuneration to the CEO is recommended by the Remuneration Committee and determined by the Board of Directors on an annual basis, subject to and within the limits of the maximum total amount approved by the General Meeting. Remuneration to the other members of the Executive Board is recommended by the CEO, reviewed by the Remuneration Committee and determined by the Board of Directors, on an annual basis, subject to and within the limits of the maximum total amount approved by the General Meeting.

The chairman of the Remuneration Committee can invite persons other than Remuneration Committee members to attend all or a portion of a meeting. Invited persons shall not participate in the discussions or deliberations of the Remuneration Committee unless invited to do so, and they shall not be entitled to vote.

The Remuneration Committee reviews the compensation package of the members of the Executive Management Board annually and proposes to the Board of Directors any adjustments. As a base for this work the Remuneration Committee assesses compensation packages in similar companies. To build the compensation benchmark the following two groups of companies were analysed:

- Listed companies in the worldwide MedTech industry as well as worldwide players in Health Care with a similar size (in terms of employees and / or revenue), and
- Companies in the Swiss MedTech industry or Health Care industry with around 250 to 2'000 employees, both with international scope.

The Remuneration Committee may decide to consult external advisors on specific compensation matters. In 2018, Seematter & Sterchi Incentive Plans AG (SSIP), a company specialized in incentive plan design and international implementation, has been appointed to advise on the redesign and international roll-out of the share-based compensation elements. The firm does not have any other mandate with Medartis.

As set out above, the General Meeting approves the total remuneration amounts to the Board of Directors and to the Executive Management Board on an annual basis and in a binding manner. The Board of Directors values the dialogue with shareholders and is considerate of their views about executive compensation when reviewing compensation principles. Against this background, the Board of Directors voluntarily submits the compensation report to a consultative vote at the General Meeting. This vote allows shareholders to express their opinion on the compensation system, compensation disclosure as well as remuneration paid and granted in the past financial year.

The remuneration practices are further guided by the basic principles determined in Medartis' Articles of Association, as set out above.

3. Compensation architecture and elements

3.1 Board of Directors

For their non-executive services in the Board, members of the Board of Directors receive a fixed basic compensation, which may be paid in cash and / or in the form of shares, based on the responsibilities and time requirement of their functions within the Board or within the committees of the Board of Directors, without any entitlement to performance-related compensation, and there are no additional fees per meeting or for Board Committee memberships. This ensures that the Board of Directors remains independent while exercising its supervisory duties towards the Executive Management Board. For 2018, fixed board fees were paid in cash only. The amount of fees for each function of the Board of Directors is determined annually, considering the market compensation trends and comparisons with other listed life science companies of similar size which operate internationally. Members of the Board of Directors who also hold Group executive functions receive a separate compensation for such executive function, which is disclosed accordingly below in the section on the Executive Management Board.

In connection with Medartis' IPO in 2018, members of the Board of Directors (except for those three members of the Board of Directors who are also anchor shareholders, i.e. Thomas Straumann, Dominik Ellenrieder and Willi Miesch) were additionally granted the one-time opportunity to buy newly listed shares at a discount of 20%. This offer was installed in order to reward members of the Board of Directors and the Executive Management Board for their special efforts to make the IPO a success story for Medartis and further aligning them with shareholder interests. The shares acquired under this program are subject to a 1-year blocking period during which they may not be sold or otherwise disposed of.

There were no relevant changes to the remuneration structure or amounts for the Board of Directors in 2018.

In 2019, Medartis works on implementing a "Restricted Share Plan for the Board", under which members of the Board of Directors may voluntarily elect to receive all or part of their fees in the form of restricted Medartis shares instead of cash. Details will be set out in the remuneration report 2019.

There are no contractual share ownership requirements for members of the Board of Directors.

Depending on the contractual setup and individual circumstances, the remuneration paid to members of the Board of Directors may be subject to VAT or statutory social security contributions.

3.2 Executive Management Board

a. Overview

The remuneration of the Executive Management Board (CEO and other members of group management) consists of a fixed base salary, an annual, performance-based short-term incentive, a long-term incentive plan in the form of restricted share grants, and other benefits (e.g. company car, seniority gift, travel checks). In addition, as a one-time opportunity in 2018, members of the Executive Management Board had the opportunity to buy Medartis shares at preferential conditions in connection with the IPO. Details on each compensation component are set out below.

b. Fixed base salary

The fixed base salary depends on the function, the qualification and the professional experience of the respective individual. In 2018, there were no relevant changes to base salaries of the Executive Management Board members.

c. Annual short-term incentive

Payment of the annual short-term incentive, if any, is made in cash, usually in the first half of the following year. The target amount for the annual short-term incentive (at 100% performance achievement, see below) amounts to 50% (CEO) and 20% - 27% (other members of the Executive Management Board), respectively, of the individual's annual gross base salary. This target value is determined individually for each member of the Executive Management Board and is reviewed in a benchmarking process once per year, considering peer companies and benchmarks as for the fixed base salary (see above).

The performance metrics used for the Executive Management Board members' annual short-term incentive are annual net sales, OPEX and EBITDA of the Medartis Group, which are considered to be the most critical and sustainable value drivers of the Group. There are no individual performance targets. OPEX and EBITDA are measured relative to actual net sales. This means, for example, that if a turnover higher than the budget value is achieved, the OPEX can be higher than budgeted without having a negative influence on the partial amount of the STI.

The weighting of each of those three performance measures may differ by individual and is set at the beginning of the year in the annual performance agreements. Once agreed, there is no discretion to change the weighting.

For each metric, the CEO determines and the Board of Directors approves the annual target and maximum performance levels in advance and in line with the budget process for the subsequent financial year and with the long-term strategy. Each performance indicator's target achievement, multiplied by its weighting and by the individual's target amount for the short-term incentive, determines the actual payout.

- 100% achievement of the performance targets leads to 100% payout of the target amount.
- For each percentage point that the performance achievement level is above or below the performance targets, the payable amount is reduced or increased, respectively, by 20%.
- Consequently, a performance target achievement level of 95% or less leads to 0% payout on the respective metric (this is the threshold), and a performance target achievement level of 105% or more leads to the capped payout of 200% on the respective metric.
- Between threshold, target and cap, there is a linear interpolation of performance achievement to payout levels.

There is no Board discretion in the measurement of the performance target achievement levels and the calculation of the resulting amounts payable.

In consideration of the Executive Management Board's effort and contributions in 2018 which led to achieving more than 90% of all company targets, in addition to the IPO workload, the Board of Directors in its discretion decided to increase, for each member of the Executive Management Board, the short-term incentive payout by 25% of the target STI opportunity. It is included in the short-term incentive amounts disclosed in the audited tables below.

d. Long-term incentive

Medartis operated a corporate long-term incentive plan with restricted shares (LTI). Members of the Executive Management Board are eligible to participate in this plan. The amount of this long-term compensation is determined individually for each participant, generally at the discretion of the Board of Directors. It is reviewed once a year and may be subject to fluctuations.

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 that corresponds to the average closing price of a Medartis share on the SIX Swiss Exchange during the last 10 trading days in February, less a discount of 20%. Ownership of granted shares, if any, shall then typically be transferred in April, subject to a restriction period that lasts until the end of February in the second year after grant (i.e., depending on the exact grant date, the restriction period will be slightly less than two years). During the restriction period, the participant is legal and beneficial owner of the shares, including all shareholder rights, but the shares may not be sold, given away, pledged or otherwise transferred (except in the event of death or disability). At the end of the restriction period, participants have the right to freely dispose of the shares.

However, because of ongoing further development of the intended incentive design, the LTI grant amounts for 2018 have not yet been converted into restricted shares. The LTI compensation amounts disclosed in the audited tables in section 4 show the allocated LTI grant amounts for 2018, including step-up deriving from the use of the 20% discounted share price for the conversion.

For 2019 and onwards, the above mentioned LTI plan will be replaced by a new equity-based long-term incentive plan, see also comments in section 3.2 f) below.

Shares required under the LTI may be made available, at discretion of the Board of Directors, by capital increase, treasury shares or purchase of shares in the market. Further details on conditional capital are set forth in section 2.2 of the Corporate Governance report.

e. One-time opportunity: IPO shares

In addition, and in connection with Medartis' IPO in 2018, members of the Executive Management Board (except for our CEO Willi Miesch because he is an anchor shareholder of the company) were granted the one-time opportunity to buy newly listed shares at a discount of 20%. This offer was installed in order to reward members of the Board of Directors and the Executive Management Board for their special efforts to make the IPO a success story for Medartis, and as an additional retention incentive for the beneficiaries to stay with the company through the IPO. The shares acquired under this program are subject to a 1-year blocking period during which they may not be sold or otherwise disposed of.

f. Other elements and comments

Members of the Executive Management Board participate in the benefits plan available in the country of their employment contract. Benefits consist mainly of retirement, insurance and health care plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and illness / accident. Medartis' pension benefits under Swiss contracts exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and are in line with what other international industrial companies offer.

Out-of-pocket expenses incurred to executives in connection with their employment services for Medartis and duly reimbursed by Medartis in accordance with the applicable regulations are not considered to be compensation subject to approval and are not further considered for the below compensation tables.

With respect to fringe benefits, the following three elements should be noted:

- Each member of the Executive Management Board is entitled to be allocated a company car that may also be used for private purposes.
- Executive Management Board members are generally entitled to seniority gifts according to the general company regulation applicable to all employees. In 2018, no such seniority gift was paid or due for payment to members of the Executive Management Board.
- In line with the general company regulation for all employees, members of the Executive Management Board may voluntarily acquire REKA travel checks up to a maximum amount per person and year of CHF 160.

No severance payments or notice periods of more than six months have been agreed with members of the Executive Management Board.

There are no contractual share ownership requirements for members of the Executive Management Board.

The actual compensation paid directly and indirectly to members of the Executive Management Board in the reported year is shown in the tables below.

In 2019, Medartis works on implementing the following new compensation elements, which are planned to replace the current LTI set out above:

- New "Long-Term Incentive Plan": The Board of Directors at its sole discretion may determine grant amounts for Members of the Executive Management Board, which will be converted into a number of granted shares, subject to a 2-year restriction period.
- "Bonus Restricted Shares Plan": Members of the Executive Management Board and Key Employees will have the possibility to receive all or part of their short-term incentive payout in the form of restricted shares instead of cash.
- "Employee Share Purchase Plan": A broad-based plan under which Medartis employees around the globe will have the possibility to acquire Medartis shares at preferential conditions.

Details will be set out in the 2019 report.

4. Actual remuneration for the reported year

This section contains:

- (a) the actual compensation paid to the Board of Directors for 2018;
- (b) the actual compensation paid to the Executive Management Board for 2018;
- (c) other compensation-related information under the OaEC;
- (d) a general pay-for-performance review;
- (e) comments on the alignment between paid and pre-approved amounts; and
- (f) information on shareholdings of members of the Board of Directors and of the Executive Management Board.

Subsections (a), (b) and (c) are subject to external audit according to the Ordinance Against Excessive Compensation in Publicly Listed Companies (OaEC; "VegüV").

All amounts shown below are in Swiss Francs (CHF).

a) Remuneration of the Board of Directors (audited)

The below table shows the compensation paid to members of the Board of Directors for 2018. All individuals were members of the Board of Directors during this entire period except for Damien Tappy (newly elected in the General Meeting 2018)

	Fixed board fee (cash)	Social security contributions	Sub-Total	IPO shares	Total
Thomas Straumann Chairman of the Board	446'578 CHF	135'413 CHF	581'991 CHF	0 CHF	581'991 CHF
Dominik Ellenrieder Vice-chairman of the Board Chairman of the Remuneration Committee	215'030 CHF	0 CHF	215'030 CHF	0 CHF	215'030 CHF
Roland Hess Chairman of the Audit Committee	126'629 CHF	10'866 CHF	137'495 CHF	87'494 CHF	224'989 CHF
Jürg Greuter	84'419 CHF	0 CHF	84'419 CHF	24'998 CHF	109'417 CHF
Daniel Herren	84'419 CHF	7'485 CHF	91'904 CHF	21'245 CHF	113'149 CHF
Willi Miesch	84'419 CHF	7'553 CHF	91'972 CHF	0 CHF	91'972 CHF
Damien Tappy New board member from GA 2018 on	70'721 CHF	0 CHF	70'721 CHF	124'992 CHF	195'713 CHF
Total all members	1'112'215 CHF	161'317 CHF	1'273'532 CHF	258'729 CHF	1'532'261 CHF

Comments:

- "Fixed board fee (cash)": Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "IPO shares": For 2018, the above amounts represent the discount on the purchased shares (CHF 9.60 per share) in connection with the IPO, i.e. offering price of one Medartis share (CHF 48.00), less a discount of CHF 9.60 (20%) resulting in a purchase price paid by the individual of CHF 38.40 per share. Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Social security contributions": Company contributions to social security and occupational pension schemes, as far as applicable.

b) Remuneration of the Executive Management Board (audited)

The below table shows the compensation paid to the CEO and other members of the Executive Management Board for 2018. The Executive Management Board consisted of 5 members, all of them being members of the Executive Management Board during the entire period.

	Fixed compensation	Variable compensation in cash	Variable compensation in equity		Indirect compensation	Total
	Fixed base salary	Annual short-term incentive (STI)	IPO shares	Long-term incentive (LTI)	Social security contributions and fringe benefits	
Willi Miesch CEO	600'600 CHF	199'200 CHF	0 CHF	275'000 CHF	190'721 CHF	1'265'521 CHF
Other members of the Executive Management Board (excl. CEO)	1'144'000 CHF	185'920 CHF	79'997 CHF	387'500 CHF	402'718 CHF	2'200'135 CHF
Total all members of the Executive Management Board (incl. CEO)	1'744'600 CHF	385'120 CHF	79'997 CHF	662'500 CHF	593'439 CHF	3'465'656 CHF

Comments:

- "Fixed base salary": Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Annual short-term incentive (STI)": Amounts based on the performance in 2018, payable in 2019, including the special 25% increase as set forth in section 3.2 d) above. Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "IPO shares": For 2018, the above amounts represent the discount on the purchased shares (CHF 9.60 per share) in connection with the IPO, i.e. offering price of one Medartis share (CHF 48.00), less a discount of CHF 9.60 (20%) resulting in a purchase price paid by the individual of CHF 38.40 per share. Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Long-term incentive (LTI)": As further explained in section 3.2 d), the disclosed amounts are LTI grant amounts for 2018 (though not converted into restricted shares yet), plus step-up in value deriving from the use of a 20% reduced conversion price. Gross amounts before deductions of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Social security contributions and fringe benefits": Company contributions to social security and occupational pension schemes, as far as applicable. CHF 458'502 related to fixed compensation, CHF 23'107 related to STI, CHF 3'441 related to IPO shares amount and CHF 39'750 related to LTI. This column further includes the value of fringe benefits, consisting of company car private use and seniority gifts (however, none paid or due for payment to members of the Executive Management Board in 2018); excl. acquisition of REKA travel checks (minor benefit, not further considered).

c) Other compensation-related information under the OaEC (audited)

For the reporting period, no compensation other than listed above in a) and b), respectively, was paid or granted to members of the Board of Directors and the Executive Management Board.

No compensation was paid or granted to former members of the Board of Directors or Executive Management Board.

No loans or credits were granted to current or former members of the Board of Directors and Executive Management Board. No such loans or credits were outstanding at the balance sheet date.

No compensation, loans or credits were paid or granted at non-market conditions to persons closely associated with current or former members of the Board of Directors or Executive Management Board. No such loans or credits were outstanding at the balance sheet date.

d) Performance-related compensation: General pay-for-performance review

In 2018, the target achievement levels for the three metrics in the annual short-term incentive for members of the Executive Management Board led to a payout ratio of 41% of the target amount.

Consequently and in total, the STI payout to members of the Executive Management Board (excl. CEO) for 2018 equals CHF 185'920 as stated in the above compensation tables, which represents 16% of the fixed base salary in the same period. For the CEO, the STI payout of CHF 199'200 represents 33% of the base salary.

In addition, and as also set out in the above compensation tables, the grant value of restricted shares under the LTI was CHF 387'500 for the entire Executive Management Board (excl. CEO), CHF 275'000 for the CEO.

The aggregate variable compensation (STI and LTI) for 2018 represents 79% of the fixed base salary for the CEO. This is the total pay mix for the regular compensation elements.

The aggregate variable compensation (STI and LTI) for 2018 represents 50% of the fixed base salary for the entire Executive Management Board (excl. CEO). This is the total pay mix for the regular compensation elements.

The additional possibility to buy shares at preferential conditions ("IPO shares" above) was a one-time opportunity in connection with the IPO, in order to reward members of the Board of Directors and the Executive Management Board for their special efforts to make the IPO a success story for Medartis. This was a one-time offer and is thus not comparable to previous years and does not form part of the recurring compensation architecture. If this element is added to the regular performance-based, variable compensation, the variable components (STI, LTI and IPO shares) represent 65% of the fixed base salary for the entire Executive Management Board.

Total compensation paid for 2018 was higher than for 2017, mainly because of the additional LTI program and the extraordinary IPO share opportunity. With respect to the other compensation elements, the remuneration architecture did not undergo any relevant changes.

e) Alignment with pre-approved maximum amounts (audited)

At the ordinary annual General Meeting of Medartis Holding AG on 19 February 2018, the shareholders approved, with binding effect and in separate votes, the following maximum aggregate amounts:

Compensation to the Board of Directors for the period from the General Meeting 2018 to the General Meeting 2019:	CHF 1'462'452
Fixed base salary to the Executive Management Board (incl. CEO) for the period from 1 March 2018 to 31 December 2018:	CHF 1'898'799
Fixed base salary to the Executive Management Board (incl. CEO) for the business year 2019:	CHF 2'423'525
Variable compensation to the Executive Management Board for the business year 2018:	CHF 2'160'410

Board of Directors:

As shown in the above Board remuneration table, the total compensation paid to the Board of Directors for services in the financial year 2018 (subtotal fixed board fee and social security contributions) amounts to CHF 1'273'532.

After the General Meeting 2018 the Board of Directors decided to offer the Board members (and employees) the possibility to participate in a preferred share purchase program into the IPO. The purchase conditions were set at a preferred price of 20% discount to the IPO listing price. For the members of the Board who have taken advantage of the IPO share purchase program an additional compensation benefit of CHF 258'729 resulted (discount rate to listing price x number of shares bought).

The pre-approved maximum amount of CHF 1'462'452 at the General Meeting 2018 relates to the period from the General Meeting 2018 to the General Meeting 2019. The portion of the Board's total compensation for 2018 that relates to the period from the General Meeting 2018 to the end of the year amounts to CHF 1'022'410 for the existing members of the Board without the new member Damien Tappy and the IPO shares purchase program.

Due to the expansion of the Board by a new member and the IPO share purchase program compensation advantage, the pre-approved total amount will be exceeded by CHF 314'310. The difference to the pre-approved amount for the entire period from General Meeting 2018 to General Meeting 2019 which is currently expected to be at a total of CHF 341'978, will be conclusively determined and presented at the General Meeting 2019 for approval.

For the period before the General Meeting 2018, Medartis was not subject to the OaEC ("VegüV") requirements and thus the respective compensation did not need to be approved by the General Meeting.

Executive Management Board, fixed base salary 2018:

Medartis Holding AG became a publicly listed company in March 2018 therefore the compensation for services before March 2018 were not subject to approval by the General Meeting 2018. The total aggregate amount approved by the General Meeting 2018 for the fixed base salary of the Executive Management Board for the period from 1 March to 31 December 2018 amounts to CHF 1'898'799. The sum of the total fixed base salary paid to the Executive Management Board (incl. CEO) for the total year 2018 amounts to CHF 2'203'102. Looking at the relevant period from 1 March to 31 December, the respective pro rata amount equals CHF 1'836'414. It is thus within the limits of the amount approved by the General Meeting for the same period.

Executive Management Board, variable compensation for 2018:

Variable compensation includes the annual short-term incentive (STI), the long-term incentive (LTI) and the IPO share program. The total aggregate amount of those three elements for 2018, as shown in the above compensation tables, equalled CHF 1'193'915 for the entire Executive Management Board (incl. CEO). This is within the limits of the maximum amount approved by the General Meeting for the same period (CHF 2'160'410).

f) Shareholdings of members of the Board of Directors and of the Executive Management Board

See attachment to the 2018 financial statements of Medartis Holding AG.



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 1 April 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Medartis Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 53 to 55 of the remuneration report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Medartis Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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André Schaub
Licensed audit expert