

medartis

PRECISION IN FIXATION

2020 | Annual Report



Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region. Medartis employs over 640 individuals across its 14 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theater personnel with the most innovative titanium implants and instruments as well as best in class service.

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Medartis at a glance

A painless return of the patient to everyday life without physical restrictions is the driving force behind Medartis' activities.

Patient

Nobody wants to be a patient. But accidents with fractures happen, as do bone malpositions. The aim of fracture treatment with implants is to restore optimal anatomical conditions. The use of implants also allows early and safe mobilization and rehabilitation of the injured body part and the patient as a whole.

Market potential and growth drivers

Medartis' three markets – upper and lower extremities and the craniomaxillofacial (CMF) area – amount to around CHF 10bn and are the fastest growing segments of the orthopedic market. The main growth driver is the ageing of the more active population. Older people tend to have more fragile bones and are more prone to injuries. An active life and the practice of sports further increase the risk of injury. Another factor is that obesity and diabetes, which often affect bone quality and require more complex fracture treatment, are on the rise. These market growth drivers lead to unmet clinical needs that are solved by innovation.

Revenue flow

Medartis focuses exclusively on implants for the upper and lower extremities and head segments.

For customers with a sufficient case load, Medartis consigns sets with implants and instruments for defined medical indications free of charge. Other customers order loan sets for specific surgeries. The majority of Medartis' revenues are generated through the use of implants in surgery.

Swiss DNA

Medartis' DNA is Swiss and the company stands for price-competitive Swiss quality. Its headquarters, research and development, and manufacturing facilities are all located under one roof in Basel. This results in efficient information and decision making pathways. All key products are manufactured in-house in Basel, where modern facilities and the use of robotics enable highly-automated manufacturing processes up to 24 hours a day, 7 days a week.

Users

The surgeon is responsible for the patient's outcome of the bone fixation treatment. Medartis therefore supports with high-quality implant systems for existing surgical possibilities, offering new clinical solutions and provide best-in-class services to surgeons, operating room personnel und purchasing departments.

Technological advantages

Leading innovations have characterized Medartis since its founding. A team of industry-experienced osteosynthesis innovators developed a new generation of technologies for bone fixation comprising the TriLock® technology, which is used to lock screw heads and provides the smallest-size multidirectional locking system on the market; the HexaDrive® technology, which ensures that screws remain fixed to the screw driver; and the SpeedTip® technology, which features self-drilling screws that make pre-drilling unnecessary.

Only fast and agile companies such as Medartis will have the ability to develop in networks to create the demanded innovation.

International

Medartis has an intense collaboration with high-level surgeons worldwide and has continuously expanded its network in over 50 countries from Europe, North and South America to the Middle East and Africa through to Asia and Australia. Medartis has 14 own locations – in addition to its headquarters in Basel, subsidiaries in Germany, Austria, France, England, Spain, Poland, the US, Australia, New Zealand, Mexico, Brazil, Japan and China.

Proven Track Record

Medartis has a number 1 or 2 position for hand and wrist solutions in Switzerland, Germany, Austria, France and Australia. In the highly competitive German market, Medartis' market share is 35% for the hand, 32% for the wrist and 25% for CMF (head). There is a huge potential for worldwide expansion of this success story. Medartis has completed the portfolio in 2020 with a new CMF-generation, a new clavícula system, a new midfoot and hindfoot correction system and a new distal tibia and fibula fracture system.

Key financial figures

Sales in CHFm

124.7

-4% growth in CHF

1% growth in local currencies

EBITDA in CHFm

19.7

16% EBITDA margin

16% adj. EBITDA margin⁽²⁾Solid 1% local growth
above the market13% second half year
growth in direct marketsStable EBITDA margin
despite the pandemic27 new jobs added
over 12 months

CHFm	2019 (reported)	2019 (adjusted) ⁽³⁾	2020 (reported)	2020 (adjusted) ⁽⁴⁾	change (adjusted)
Sales	130.1	130.1	124.7	124.7	-4%
Sales at constant currencies ⁽¹⁾			131.2	131.2	1%
Gross profit	111.3	110.6	103.5	103.5	-6%
Opex	103.9	103.6	99.7	97.5	-6%
Operating profit (EBIT)	7.4	7.0	3.8	6.0	-14%
EBIT margin	6%	5%	3%	5%	0pp
EBITDA	20.3	20.0	19.7	20.2	+1%
EBITDA at constant currencies ⁽¹⁾			21.8	22.4	+12%
EBITDA margin	16%	15%	16%	16%	+1pp
EBITDA margin at constant currencies ⁽¹⁾			17%	17%	+2pp
Headcount ⁽⁵⁾	609	609	636	636	4%

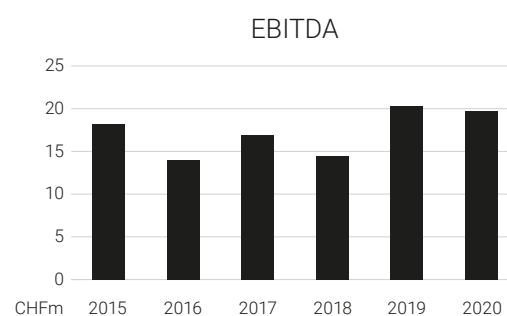
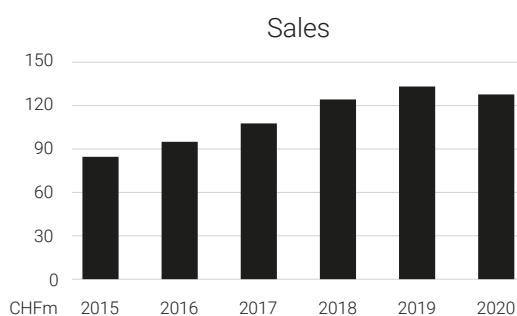
¹⁾ Alternative Performance Measure: Due to the latest economic developments, several currencies in which we also operate (mainly EUR, USD, AUD and BRL) have lost value compared to our reporting currency (CHF). We therefore show "FX adjusted" performance measures, calculated with a consistent currency FX rate for 2019 and 2020 (2019 monthly FX rates applied to 2020 figures), whereby Cost of Goods Sold is primarily production costs incurred in CHF. These alternative performance measures are only shown for the year 2020 and not for the year 2019, as the sole reason for these alternative performance measures is to show the operating performance in 2020 with no major FX influence, which only existed for the period under review.

²⁾ Excl. additional inventory provisions of CHF 0.6 million

³⁾ Excl. a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excl. positive effect from pension fund plan amendment of CHF 3.4 million

⁴⁾ Excl. extraordinary impairment on intangible assets of CHF 1.7 million and additional inventory provisions of CHF 0.6 million

⁵⁾ Year-end figure as per 31.12.2020





Dr. h.c. Thomas Straumann
Chairman of the Board of Directors

Dr. Christoph Brönnimann
Chief Executive Officer

Dear Shareholders,

The past year has provided many unforeseen challenges for all of us, and as an organization we had to adapt, change and innovate, driven by our passion to restore patients' quality of life. During the crisis, our priorities were the safety and well-being of our employees, assuring business continuity for our customers while mitigating financial risks. But also, we were committed to continuing on our growth journey.

Following the lifting of first lockdown measures in spring, we were well prepared to ramp up our business again and achieved strong double digit growth in most direct markets in local currencies. Despite the slow-down of our growth momentum in the fourth quarter due to the second Covid-19 wave, we have achieved a solid growth of 9% in the second half year in local currencies. Considering the disruptions and worldwide lockdown measures, we have reached a solid 2020 performance of 1% growth in local currencies as we achieved a full year revenue of CHF 124.7 million, outperforming the market. As a result of our mitigation of financial risks, subsidized short term working, a strict cost management and the postponement of non-sales related investments, we have managed to increase the adjusted EBITDA margin to 16%. Strong currency impacts of CHF 5.4 million are reflected in the adjusted net profit of CHF 0.9 million.

Thanks to our operations teams and our close collaboration with local and regional vendors, we have maintained full product availability and service levels for all our customers at all times throughout the year. For the second half year and despite the slow-down in the fourth quarter, the key markets with the exception of LATAM and UK have returned to double digit growth in local currencies. EMEA has rebounded to 4% growth for the second half year, with our strongest markets DACH posting revenue growth of 12%. USA reported a strong second half year with 18% revenue growth and above 20% growth for the fourth quarter. APAC reached 23% growth in the second half of the year, mainly driven by an excellent performance in Australia with 27% revenue growth. LATAM was strongly affected by the pandemic and posted -9% revenue growth in the second half year, but Brazil and Mexico returned to double digit growth during the fourth quarter. Double digit growth has continued in 2021 in all regions.

Cost savings from reduced travel activities as well as the implementation of digital surgeon interaction, education and virtual congresses, have been reinvested into our growth initiatives innovation, new product launches, and the US market. We have introduced our new Modus II CMF system in the DACH markets, the forearm fracture system, the wrist spanning plate, and the headed and non-headed compression screw extensions to complement our upper and lower extremities portfolio. The introduction of our new clavicle system was very well received in the market and represents a new indication for Medartis in the shoulder segment. The limited release of our foot & ankle trauma and orthopedic system continued throughout the year, the full launch was postponed into first half 2021 due to the pandemic lockdowns. Our digital planning and 3D printing platform CMX was launched for mandible corrections and fixations, and first cases with patient specific cutting guides and plates were performed in Germany and Switzerland. It is our goal to offer patient specific solutions and digital planning in all CMF, as well as in various upper and lower extremities indications. With the new product introductions, intense efforts in digital education and surgeon engagements we have been focusing our sales activities on winning new customers and driving market penetration.

The markets for extremities and CMF offer significant opportunities. In 2020, we made substantial progress in implementing the program initiated in early 2020 to accelerate growth with the priorities of sales focus on regional needs, in building the US business, and advancing the innovation pipeline. In the past year we also have refined our strategic framework and developed a roadmap to further accelerate our growth and pursue the goal of establishing Medartis as a fully dedicated, innovative, and comprehensive company in upper and lower extremities and CMF. Our strategic framework is built on three pillars:

1. Comprehensive product portfolio: While our innovation and technology in plates and screws with focus on regional needs remains our core business, we are going to adopt new technologies such as small joint replacement and soft tissue management to expand into new indications. We see attractive opportunities for improving patient outcome and growth in the market of small joint replacement in upper & lower extremities. It is our goal to offer our existing surgeons a comprehensive portfolio for all their indications.
2. Solutions provider: With the launch of our CMX platform, we have entered into the patient specific implant and instrument market for CMF and we continue to drive this strategy through planning services for indications in the extremities. Digital planning, 3D printed cutting guides and patient specific implants are increasingly used for complex procedures such as osteotomies and reconstructions. It is our goal to build an ecosystem of customized procedures through individualized solutions and services to improve patient outcome, reduce surgery time and inventory.

3. Geographic expansion: The top priority continues to be the penetration and expansion of the US market. The focus remains on consistently gaining market share in our key markets in Europe and APAC and we will selectively expand our global footprint in distributors' markets. In the medium term, new direct markets such as Spain, will also contribute to growth.

With the refined strategic framework in mind, the acquisition of a 25% minority share of KeriMedical, a Geneva based company specialized in hand and wrist implants, is a strong strategic fit for Medartis. The portfolio of KeriMedical includes a small joint prosthesis for the hand, anchors for soft tissue fixation and implants for nerve repair. The underserved market for small joint replacement in upper extremities offers attractive opportunities since approximately 60 million people in Europe and the US are affected by osteoarthritis in the hand. With the combined portfolio we are now in a strong position to provide our hand and wrist surgeons advanced surgical solutions for a wide range of their indications. Furthermore, the partnership in product development may create a basis for exploring opportunities in lower extremities over time.

The resurgence of infection rates in the fourth quarter and the consequently tightened lockdown measures in many countries have again resulted in a decrease of the overall case load through the postponement of elective surgeries and less trauma cases due to the lower mobility of the population. In most countries trauma and elective surgeries are still performed and with the vaccination programs we anticipate a rebound to normal case loads during the second half of 2021. Despite the uncertainties, Medartis is well positioned in attractive markets to realize profitable growth. For the full year 2021, we expect a sales growth of at least 15% in local currencies and stable EBITDA margins – subject to any unforeseen events, specifically from Covid-19. In 2021, we will continue to consistently pursue our strategic initiatives to become a comprehensive solution provider.

Dear shareholders, as Chairman of the Board of Directors, I would like to conclude this letter with a few personal remarks. In the tradition of the Straumann family, I restarted the osteosynthesis business with the founding of Medartis in 1997. We have constantly driven innovation, built a strong global network of long-standing relationships with surgeons, and became a publicly listed company in 2018. It has always been a privilege for me to lead Medartis on its exciting journey as Founder and Chairman over the past 23 years, and I would like to thank all our employees, customers, partners and shareholders for the trust they have placed in me. Today, Medartis is built on a very solid basis to realize further market opportunities. This is the right time for me to hand over the Chairmanship of the Board of Directors. At the upcoming Annual General Meeting, the Board will propose the election of Marco Gadola, who has been a member of our Board since 2020, as new Chairman. With his proven expertise in the international medical devices market, his strong business acumen, and his strategic foresight, which he also demonstrated in his previous position as CEO and, since 2020, as a member of the Board of Directors of the Straumann Group, he is the ideal candidate to further lead Medartis on its growth path. I wish Marco all the best and much success in his future role in our company. Personally, I will remain committed to Medartis in the long term as a significant shareholder and a member of the Board of Directors, where I will henceforth act as Vice Chairman – a setup which has also proven very valuable at the Straumann Group.

We would like to thank all of our employees for their professional and committed dedication, especially during the year of the pandemic, 2020. We are convinced that our strong corporate culture will remain a key factor of success in developing the best possible solutions for our customers and patients, and thus also creating sustainable value for you as shareholders. On behalf of the Board of Directors and the Executive Management Board, we thank you, dear shareholders, for your ongoing confidence in Medartis.

Basel, March 2021

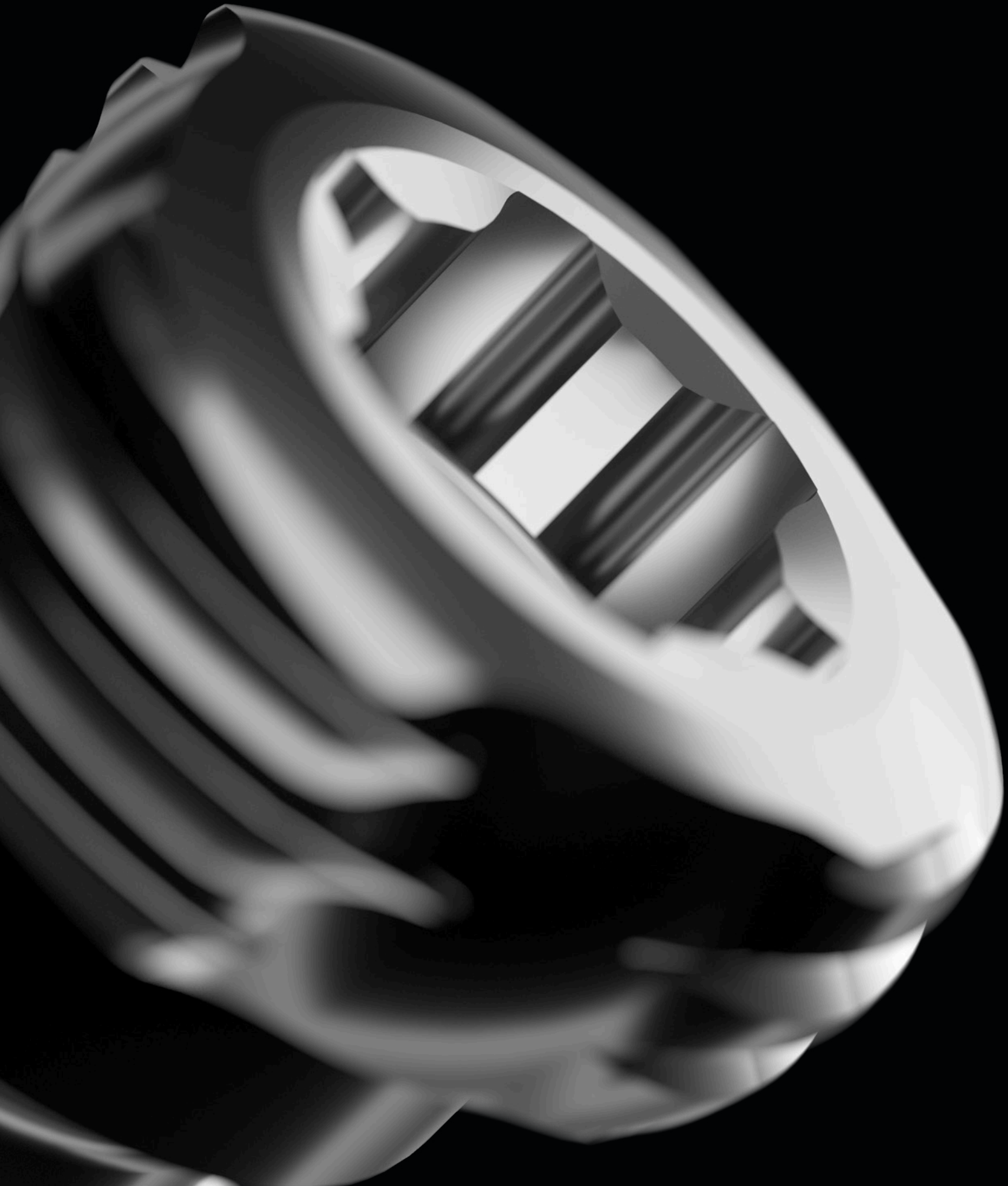


Dr. h.c. Thomas Straumann
Chairman of the Board of Directors



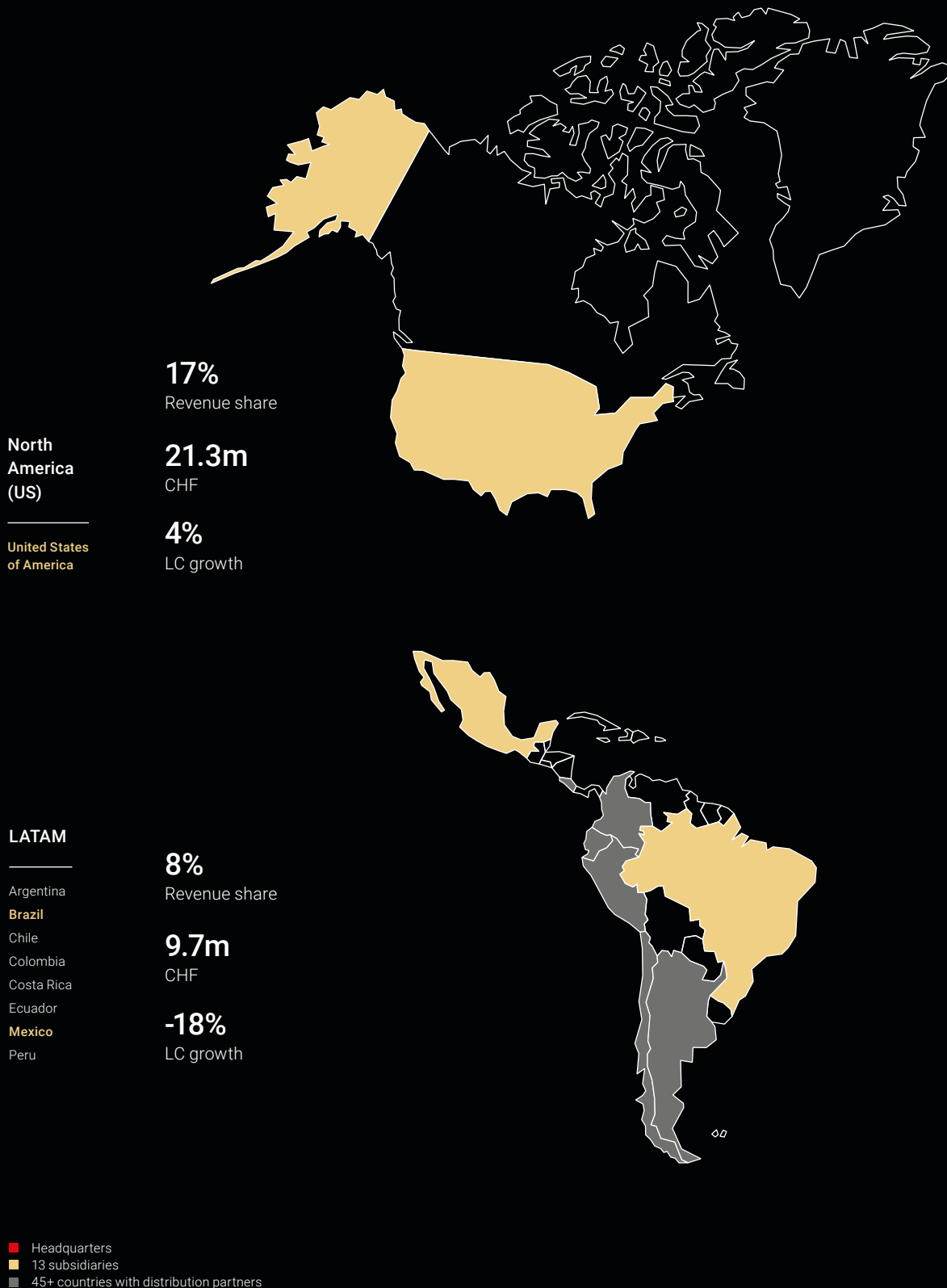
Dr. Christoph Brönnimann
Chief Executive Officer

TriLock Screw



Worldwide presence

Globally diversified business





EMEA

- Austria**
- Bahrain
- Belgium
- Bosnia & Herzegovina
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Finland
- France**
- Germany**
- Greece
- Hungary
- Ireland
- Israel
- Italy
- Kingdom of Saudi Arabia
- Kuwait
- Lebanon
- Netherlands
- Norway
- Oman
- Poland**
- Portugal
- Serbia
- Slovenia
- South Africa
- Spain**
- Sweden
- Switzerland**
- Turkey
- UAE
- UK**

55%
Revenue share

68.2m
CHF

0%
LC growth



APAC

- Australia**
- China**
- Hong Kong
- Japan**
- Malaysia
- New Zealand**
- Philippines
- Singapore
- South Korea
- Thailand

20%
Revenue share

25.4m
CHF

12%
LC growth

■ Headquarters
 ■ 13 subsidiaries
 ■ 45+ countries with distribution partners



Clavicle Plate

Business review

In the 2020 financial year, Medartis generated total sales of CHF 124.7 million. Following the lifting of the first Covid-19-related lockdown measures in spring, Medartis was well prepared to ramp up its business again, and its direct markets with own subsidiaries returned to 13% growth in local currencies in the second half of the year. Overall, sales increased by 9% in local currencies in the second half of 2020, despite a slow-down in the fourth quarter. Reflecting a focus of resources on markets less affected by the pandemic, the sales increase in the second half of the year was in particular driven by the US subsidiary with 18% growth, by the APAC region with 23% growth and within the EMEA region by the German-speaking countries Switzerland, Germany and Austria, with growth of 12%, each in local currencies. Performance in the LATAM region and in global distributor markets continued to be affected by the pandemic and the related restraint with regard to investments in the second half of the year.

Operating expenses decreased by 4% to CHF 99.7 million in 2020. Adjusted for extraordinary impairment on intangible assets of CHF 1.7 million and additional inventory provisions of CHF 0.6 million, operating expenses decreased by 6% compared to adjusted operating expenses in the prior year. Year on year, headcount increased moderately by 27 positions to 636 employees, 15 of which were filled in the second half of the year. Although Medartis pursued strict cost management in the context of the pandemic and took early cost-saving measures, the company continued to invest in its strategic growth initiatives. The organization was strengthened, particularly in the US market, where further development and expansion remain a top priority. As planned, the product portfolio was expanded in all three business segments with the market launch of five innovative product systems.

Profitability at EBITDA level amounted to CHF 19.7 million, compared to CHF 20.3 million in 2019; the EBITDA margin remained unchanged at 16% compared to 2019. The adjusted EBITDA reached CHF 20.2 million versus CHF 20.0 million in 2019, and the adjusted EBITDA margin increased to 16% compared to 15% in the previous year.

The EBIT was CHF 3.8 million, compared to CHF 7.4 million in the previous year. The adjusted EBIT was CHF 6.0 million versus CHF 7.0 million. Compared to the net profit of CHF 2.1 million in 2019, the net loss for the period under review was CHF 0.9 million. On an adjusted basis, net profit was CHF 0.9 million compared to CHF 1.8 million in 2019.

In addition to the pandemic, 2020 was also impacted by a significant strengthening of the Swiss franc. On a CHF basis, Medartis reported a 4% decline in sales compared to the prior year, in particular reflecting the currency developments against the US dollar, the euro, the Australian dollar and the Brazilian real. Net profit was impacted by total currency losses of CHF 5.4 million (2019: CHF 2.4 million). Cash flow from operating activities was CHF 12.6 million, compared to CHF 9.0 million in 2019.

Development by region

	EMEA	APAC	LATAM	North America	Total
Sales, CHFm					
2020	68.2	25.4	9.7	21.3	124.7
2019	70.3	23.7	14.4	21.7	130.1
Growth, %					
in CHF	-3%	7%	-33%	-2%	-4%
in local currencies	0%	12%	-18%	4%	1%

Medartis' largest region, EMEA, reported growth of 4% in local currencies in the second half of the year and overall, closed the year at the same sales level as in the previous year. The German-speaking direct markets achieved 12% sales growth in the second half of the year, while the other direct markets were slightly hindered by the more restrictive coronavirus measures that were introduced towards the end of the year. Due to the local pandemic restrictions, the UK was the only subsidiary that did not recover in the second half of the year. The distributor markets in the Netherlands, Finland, Ireland, Norway and Slovenia developed encouragingly. In general, however, sales development in the distributor markets remained significantly behind the direct markets due to coronavirus-related restraint with regard to investments. In Spain, Medartis has started with its own subsidiary beginning of 2021; during the phase of transferring the distributor business, sales temporarily declined in the second half of 2020.

North America achieved sales growth of 18% in local currency in the second half of the year and above 20% growth in the fourth quarter, following a pandemic-related decline of 10% in the first half of 2020. This resulted in overall growth of 4% in local currency for the full

year. In addition to strengthening regional management and the sales organization, a strong focus was placed on expanding the largest segment, wrist, which recorded dynamic growth in the second half of the year. In addition, growth was supported by new collaborations with selected distributors. The encouraging acceleration of growth in the second half of 2020 further emphasizes the significant potential of the US market for Medartis.

The APAC region delivered growth of 23% in local currencies in the second half of the year, following a first half that remained at the prior-year level. The 12% annual growth in local currencies reflects that this market region was the least affected by the coronavirus impact. The subsidiary in Australia, Medartis' strongest market in the region in terms of sales, reported excellent performance of 27% sales growth in local currency in the second half of the year. The new lower extremity subsidiary in Japan performed well, and the distributor markets in South Korea, Thailand and Japan for upper extremities also developed positively. In China, distribution activities were launched as planned in the fourth quarter of 2020.

LATAM recorded a decline in sales in the second half of the year (-9% in local currencies) and reported a loss in sales of 18% in local currencies for the full year. Overall, the subsidiaries in Brazil and Mexico remained below the previous year's sales levels, although they recorded significant growth in the fourth quarter compared to the prior-year period. In the Costa Rican distribution market, Medartis won a major hospital tender. In the distribution markets Argentina, Chile and Colombia, sales were strongly affected by the difficult economic environment combined with the pandemic.

Development by business segment

	Upper Extremities	Lower Extremities	CMF and Others	Total
Sales, CHFm				
2020	89.2	18.8	16.6	124.7
2019	92.6	18.3	19.2	130.1
Growth, %				
in CHF	-4%	+3%	-13%	-4%
in local currencies	+1%	+8%	-8%	+1%

Unplanned operations in trauma remained unrestricted in 2020, case numbers nonetheless declined due to mobility restrictions for large segments of the population – for example, fewer sports-related accidents were recorded. Although the postponement of elective procedures due to lockdown measures to contain the coronavirus pandemic negatively impacted sales, particularly in April and May, the negative effect was less pronounced than initially expected over the whole year, despite renewed lockdowns towards the end of the year.

The largest segment, Upper Extremities, which has the highest proportion of trauma cases, achieved 8% growth in the second half of 2020, compared to a 5% decline in sales in the first half in local currencies (full year 2020: +1% in local currencies). Growth momentum was achieved in the largest area, wrist. In elbow, double-digit growth for the full year was reported despite Covid-19, thanks to a training and sales initiative. As planned, Medartis introduced the wrist spanning plates, initially developed for the US market, in Europe and APAC in June. It launched a forearm fracture system, also in June, and a clavicle system in September. Thanks also to good preparation during the initial lockdown phase, the planned sales of these newly launched products were significantly exceeded. With these additions, Medartis has further complemented its plates and screws portfolio in the upper extremities.

Lower Extremities, the newest business segment with the strongest growth potential for Medartis and with a higher proportion of elective procedures, recorded growth of 21% in the second half of the year after a decline in growth of 4% in local currencies in the first half (full year 2020: +8% in local currencies). The addition to the cannulated compression screw portfolio, developed in a period of five months, was launched in June as planned and reached expected sales in the second half of the year. However, due to the lack of elective cases, it was decided to postpone the launch of the two systems for midfoot and hindfoot corrections and fractures of the lower tibia and fibula until the first half of 2021.

The CMF and Others segment, which comprises solutions for the craniomaxillofacial region as well as instruments and containers, was most affected by the impact of the coronavirus pandemic. Sales growth in the second half of the year was 3%, following an 19% decline in local currencies in the first half (full year: -8% in local currencies). The shift in elective procedures had the most significant impact on sales in CMF because of its high proportion thereof; for the full year, sales for elective procedures were down by around a

quarter compared to the previous year. In April, the new MODUS 2 product generation was launched in DACH as planned. In addition, the CMX digital planning and 3D printing platform for mandibular correction and fixation was introduced, and the first cases with patient-specific cutting guides and plates were performed in Germany and Switzerland.

Substantial progress made in growth initiatives

In 2020, Medartis made substantial progress in implementing the program initiated in early 2020 to accelerate growth with the priorities of sales focus on regional needs, building the US business and advancing the innovation pipeline.

In the US business, important cornerstones for the further acceleration of growth were implemented in 2020. An experienced management team has been established, led by Lisa Thompson, a member of Medartis' Executive Management Board and President of North America since April 2020. Also in the US market, the reallocation of regional sales territories to leverage more sales potential has been completed, and a new growth-oriented incentive system is being implemented.

Medartis demonstrated its innovative strength last year with the launch of five different innovative product systems. This further complemented the Medartis portfolio for plates and screws in the upper and lower extremities as well as in CMF. In order to exploit further market potential in the underserved market of small joint replacement in upper extremities, Medartis has acquired a minority share position in KeriMedical, a specialist for innovative implant solutions in the hand and wrist segment. KeriMedical has developed new standards in patient treatment, particularly in the treatment of osteoarthritis of the hand, which affects around 60 million people in Europe and the US. With KeriMedical's complementary offering, Medartis provides physicians with a comprehensive product portfolio in the hand and wrist segment, improving competitiveness and growth potential, particularly in the US.

Clear strategic direction

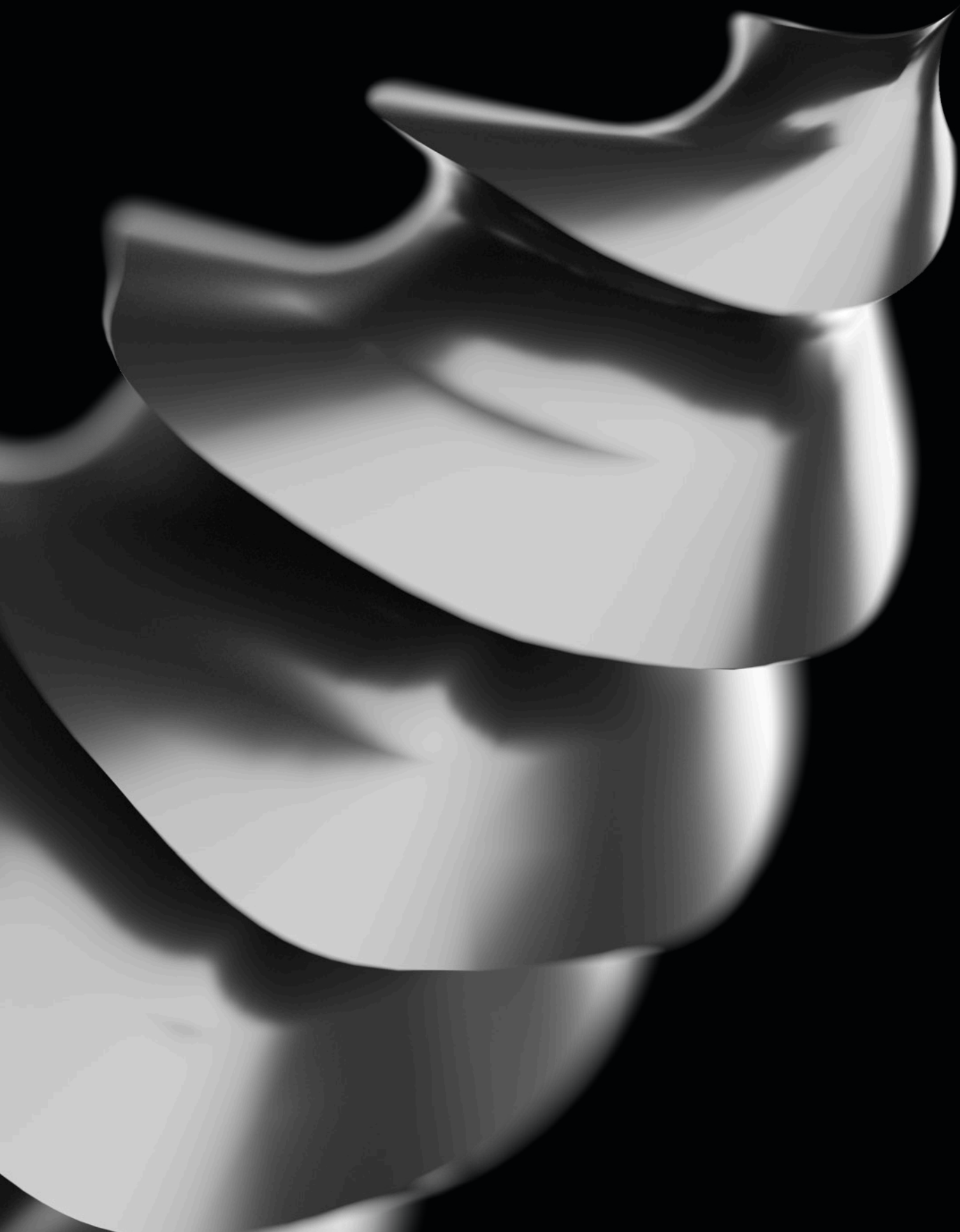
Medartis further refined its strategic direction in 2020 to support surgeons as a provider of complete solutions in the areas of extremities and head and to further accelerate growth. With this goal, Medartis is pursuing a growth strategy based on three pillars:

- *Comprehensive product portfolio:* The focus lies on the further completion of the plates and screws portfolio, aligned to regional needs, as well as the selective entry into new technologies such as small joint replacement and soft tissue management. The aim is to offer surgeons a comprehensive implant portfolio that covers all of their indication needs.
- *Solutions provider:* With the launch of our CMX platform, Medartis has entered the market for digital surgical planning, and patient-specific implants and instruments. Complementing the implants portfolio, Medartis will drive the expansion of the CMX platform and other individualized solutions and services to improve patient outcomes, shorten surgery time and reduce inventory.
- *Geographical expansion:* The top priority continues to be US market penetration and expansion. The focus also remains on consistently gaining market share in our key markets in Europe and APAC and we will selectively expand our global footprint in distributors' markets. In the medium term, new direct markets such as Spain are also expected to contribute to growth.

Outlook

In the long term, Medartis sees no structural impact from the pandemic on market potential. In the first two months in 2021, Medartis experienced a positive sales momentum in line with expectations. For the full year 2021, Medartis targets a sales growth of at least 15% in local currencies and stable EBITDA margins – subject to any unforeseen events, specifically from Covid-19.

SpeedTip Screw



2020 | Corporate Governance Report

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Corporate Governance Report

The Medartis corporate governance principles and rules are laid down in the [Articles of Association](#), the Rules for [Organizational Regulations](#), the Corporate Compliance System including the Code of Conduct, and the Charters of the Board Committees. Further, Medartis takes into account the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at 31 December 2019.

As a basis of corporate governance disclosure, this report is in compliance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange (Directive), where Medartis' shares have been traded since the Company's initial public offering in 2018. Additional information can be found in the Financial and Remuneration Report Sections of this Annual Report.

1. Group structure and shareholders

1.1 Group structure

- 1.1.1 Medartis Holding AG incorporated as a stock corporation under the laws of Switzerland and headquartered in Basel, Switzerland. Medartis' principal executive offices are at Hochbergerstrasse 60E, 4057 Basel, Switzerland.
- 1.1.2 Medartis Holding AG, Basel, is listed on the SIX Swiss Exchange, Zurich, Switzerland (valor number: 38'620'023, ISIN: CH0386200239, SIX: MED). The market capitalization as per 31 December 2020 was CHF 547.7 million. No other Company controlled by Medartis Holding AG is listed on a stock exchange.
- 1.1.3 Medartis Holding AG has invested in a number of companies to support its strategic ambition of becoming a global extremities and head company leading in technology and innovation. A list of the subsidiaries and associates of the Medartis Group as of 31 December 2020 can be found in Note 1. Corporate and Group information of the Financial Report section in this Annual Report.

1.2 Significant shareholders

The table below shows shareholders and shareholder groups owning / representing more than 3% of the voting rights of Medartis as published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange as of 31 December 2020.

Direct holder	Shares	% of voting rights
Dr. h.c. Thomas Straumann, Riehen, Switzerland	5'624'430	47.90%
NexMed Holding AG, Freienbach, Switzerland ⁽¹⁾	921'035	7.84%
Willi Miesch, Küssnacht (SZ), Switzerland	704'020	5.99%
Endeavour Medtech Growth LP, Guernsey, Channel Islands ⁽²⁾	606'903	5.16%
Pictet Asset Management SA	352'240	3.00%

⁽¹⁾ NexMed Holding AG is beneficially owned by Dominik Ellenrieder, Chandolin, Switzerland.

⁽²⁾ Endeavour Medtech GP Limited, Guernsey, Channel Islands, as general partner of Endeavour Medtech Growth LP, is exercising all the voting rights related to the shares. Further, no limited partner of Endeavour Medtech Growth LP indirectly beneficially owns the shares held by Endeavour Medtech Growth LP which represent 5% or more of the voting rights.

In 2020, the Group reported the following transaction according to Art. 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA):

The purchase of shares by Endeavour Medtech GP Limited, Guernsey, increasing its holding to more than 5%. Details of the transaction were published on the SIX Swiss Exchange online reporting platform.

All information on disclosure notifications concerning the significant shareholders may be found on the [SIX Exchange Regulation website](#). Further information related on the share register can be found in articles 15 and 16 in the notes to the financial statements of the Financial Report section of this Annual Report.

1.3 Cross-shareholdings

The Company does not have any cross-shareholdings exceeding 5% of the holdings of capital or voting rights in any other Company.

2. Capital structure

2.1 Capital

The ordinary share capital as of 31 December 2020 has a nominal value of CHF 2'355'629.60, consisting of 11'778'148 fully paid-in registered shares with a nominal value of CHF 0.20 each.

The authorized share capital as of 31 December 2020 has a nominal value of CHF 1'175'052.80, consisting of 5'875'264 shares with a nominal value of CHF 0.20 each.

The conditional share capital for bonds and similar debt instruments as of 31 December 2020 has a nominal value of CHF 1'056'957.20, consisting of 5'284'786 shares with a nominal value of CHF 0.20 each.

The conditional share capital for employee benefit plans as of 31 December 2020 has a nominal value of CHF 112'571.80, consisting of 562'859 shares with a nominal value of CHF 0.20 each.

2.2 Authorised and conditional capital

Authorised capital

At the Annual General Meeting of 17 April 2020, the Company's shareholders resolved to create authorized capital in the maximum amount of CHF 1'175'052.8, corresponding to 5'875'264 shares with a nominal value of CHF 0.20 each, or up to 49.9% of the capital issued and outstanding as of December 31, 2020.

The Board of Directors is authorized to increase the share capital in one or several steps until 16 April 2022 and to exclude pre-emptive rights of shareholders to subscribe new shares, subject to certain legal restrictions in accordance with the Swiss Code of Obligations. Subscription rights to new shares can be excluded if (i) the new shares are placed at market conditions, (ii) the new shares are used for acquisition, financing, or re-financing purposes or (iii) the new shares are used for the expansion of the shareholder base and/or to be placed with a new strategic partner. For further information, see articles 3a and 5 of the [Articles of Association](#).

Conditional capital for convertible bonds and similar debt instruments

At the Annual General Meeting of 17 April 2020, the Company's shareholders resolved to create conditional share capital to be used for convertible bonds or similar debt instruments. The share capital may be increased by up to CHF 1'056'957.20 by the issuance of up to 5'284'786 shares with a nominal value of CHF 0.20 each, or up to 44.9% of the capital issued and outstanding as of 31 December, 2020.

Pre-emptive rights for the subscription of new shares upon conversion of instruments are excluded. Shareholders' advance subscription rights with regard to the new convertible bonds or similar instruments may be restricted or excluded by decision of the Board of Directors, subject to the provisions of the [Articles of Association](#). If advance subscription rights are excluded, (i) the instruments are to be placed at market conditions, (ii) the exercise period is not to exceed ten years from the date of issue of option rights and twenty years for conversion rights and (iii) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the instruments are issued. For further information, see articles 3b and 5 of the [Articles of Association](#).

Conditional capital for employee benefit plans

At the Annual General Meeting of 19 February 2018, the Company's shareholders resolved to create conditional share capital to be used for employee benefit plans. As of December 31, 2019, the outstanding share capital amounted to CHF 118'095.60 with the possibility to issue 590,478 shares with a nominal value of CHF 0.20 each. In 2020, 27'619 registered shares were created from conditional capital. The share capital outstanding as of December 31, 2020 can be increased accordingly by up to CHF 112'571.80 by issuing up to 562'859 shares with a nominal value of CHF 0.20 each or up to 4.8% of the existing capital issued. Further information can be found in articles 3c and 5 of the [Articles of Association](#) and in article 2.3 of this Corporate Governance Report.

The creation of conditional capital for employee benefit plans was proposed by the Board of Directors in connection with the Company's IPO in 2018. This conditional capital allowed Medartis to establish its current, share-based long-term equity compensation plan to foster the important alignment of management's interests with the interest of the Company's shareholders. Further information can be found in articles 3.1, 3.2 c) and 3.2 e) of the Remuneration Report Section of this Annual Report.

The Board of Directors considered the use of conditional capital for employee benefits appropriate while safeguarding the Company's liquidity and investing into the strategic growth of Medartis. The maximum dilution potential of this capital is limited and is expected to be more than compensated for by the incentives it creates for plan participants to create long-term value for Medartis and its shareholders.

2.3 Changes in capital

The following table shows the changes in the nominal share capital and the number of shares issued over the past three financial years:

Date of share issuance registration	New nominal share capital in Swiss Francs	Number of shares issued
22 March 2018	2'348'201	11'741'007 shares at CHF 0.20 each ⁽¹⁾
20 December 2019	2'350'106	11'750'529 shares at CHF 0.20 each ⁽²⁾
21 April 2020	2'355'630	11'778'148 shares at CHF 0.20 each ⁽³⁾

⁽¹⁾ At the Annual General Meeting of 19 February 2018 (AGM), the Company's shareholders resolved to create conditional share capital to be used for the conversion of any outstanding bonds or similar debt instruments upon the contemplated IPO of Medartis and resolved an ordinary capital increase of up to 3'644'742 shares for the planned offering. On 22 March 2018, the Board of Directors decided to issue 2'994'791 offered shares from the ordinary capital increase resolved by the AGM and acknowledged the conversion of outstanding loan amounts into 1'456'731 newly issued shares from conditional capital. As a result, the total number of shares issued increased by a total of 4'451'522 shares upon closing of the initial public offering. The total number of shares issued and outstanding as per 31 December 2018 is 11'741'007 shares, corresponding to a share capital of CHF 2'348'201.40.

⁽²⁾ On 20 December 2019, 9'522 registered shares were created from conditional share capital on the basis of Article 3c of the Articles of Association by exercising options from the Long Term Incentive Programme (LTI) of Executive Management Board members for the 2018 financial year.

⁽³⁾ On 21 April 2020, 27'619 registered shares were created from conditional share capital on the basis of Article 3c of the Articles of Association by exercising options from the Long Term Incentive Programme (LTI) of Executive Management Board members for the 2019 financial year and from the "Restricted Share Plan for the Board" of Board of Directors members for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021. These 27'619 registered shares have not been registered in the commercial register as per 31 December 2020. Therefore, the share capital registered in the commercial register as per 31 December 2020 has a nominal value of CHF 2'350'105.80, consisting of 11'750'529 fully paid in registered shares with a nominal value of CHF 0.20 each.

2.4 Shares and participation certificates

Medartis Holding AG has no other categories of shares than one category of registered shares, which are fully paid in, with one share bearing one vote. There are no restrictions on the transferability of the shares.

2.5 Dividend-right certificates

Medartis Holding AG has not issued any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

The Company keeps a share register of the registered shares in which the owners and beneficiaries are entered with their names and addresses. In relation to the Company, the shareholder or beneficiary is deemed to be the person entered in the share register. Upon request, purchasers of shares shall be entered in the share register without limitation as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account.

The transfer of registered shares requires the approval of the Board of Directors, which may delegate this authority. Approval shall be granted if the purchaser discloses his name, nationality and address on a form provided by the Company and declares that he has acquired the shares in his own name and for his own account.

If the purchaser has acquired the registered shares as a nominee, the following applies: If the nominee has been approved by the Board of Directors, such nominee shall be entered in the share register as a shareholder with voting rights. If the nominee has not been approved by the Board of Directors, the Board of Directors may refuse to recognize such nominee as a shareholder with voting rights if the beneficial owner has not been disclosed. In this case, the nominee shall be entered in the share register as a shareholder without voting rights.

The names and addresses of owners and beneficiaries of registered shares are recorded in the share register, which is administered on behalf of Medartis Holding AG by areg.ch ag, Fabrikstrasse 10, 4614 Hägendorf, Switzerland.

Further information can be found in articles 4, 5 and 6 of the [Articles of Association](#).

2.7 Convertible bonds and options

Medartis followed in 2020 its corporate long term incentive plan with restricted shares (LTI) for members of the Executive Management Board. In the event of a change of control, the Board of Directors, at its own discretion, is entitled, within the scope of the statutory provisions to make adjustments to the plan.

Further information can be found in articles 3.1, 3.2 c) and 3.2 e) of the Remuneration Report section of this Annual Report.

3. Board of Directors



Roland Hess, Dr. med. Daniel B. Herren, Willi Miesch, Marco Gadola, Dr. h.c. Thomas Straumann, Dominik Ellenrieder, Damien Tappy and Dr. Jürg Greuter (from left to right).

3.1 Members of the Board of Directors

The table below sets forth the name, year of birth, function, committee membership and term of office of each Board member as of the date of this Corporate Governance Report. All members of the Board of Directors are non-executive members. Other than Willi Miesch, no member of the Board was member of the management of Medartis Holding AG or any company it controls in the years 2017-2020. Furthermore no member of the Board has outside the Board membership any significant business relationship with Medartis Holding AG or any company it controls.

Name	Born	Nationality	Position	Committee Membership	First Elected
Dr. h.c. Thomas Straumann	1963	Swiss	Chairman		1998
Dominik Ellenrieder	1958	Swiss	Vice-Chairman	Chairman of the RC Member of the SIC	2000
Willi Miesch	1964	Swiss	Member of the Board	Chairman of the SIC Member of the RC	2010
Dr. Jürg Greuter	1956	Swiss	Member of the Board	Member of the RC	1997
Dr. med. Daniel B. Herren	1962	Swiss	Member of the Board	Member of the SIC	2017
Roland Hess	1951	Swiss	Member of the Board	Chairman of the FAC	2017
Damien Tappy	1969	Swiss	Member of the Board	Member of the FAC	2018
Marco Gadola	1963	Swiss	Member of the Board	Member of the FAC	2020

Dr. h.c. Thomas Straumann

Non-executive Member

Chairman of the Board | Board Member since 1998

Other main activities in 2020: Chairman of centerVision AG and CSI Basel Horse Event AG, Member of Institut Straumann AG and Straumann Holding AG, Board Member and Owner of the Grand Hotel Les Trois Rois, Basel.

Career highlights: He founded Medartis in 1997 and has served its foundation as Chairman of the Board ever since. In 1990, he was responsible for restructuring the Institut Straumann AG and he was CEO and Chairman of its Board of Directors until 1994. He was Chairman of the Board of Straumann Holding AG until 2002 and has been Vice Chairman until April 2020.

Qualifications: He holds a degree in Precision Engineering and pursued further studies at Basel Management School and the Management & Commercial School of Baselland. He has an honorary doctorate from the University of Basel.

Key attributes for the board: Founder and major shareholder of Medartis AG. He complements the Board with his in-depth knowledge of the dental and medical device industries through personal management experience and various shareholdings. As major shareholder, he also represents continuity, stability and credibility.

Dominik Ellenrieder

Non-executive Member

Vice Chairman of the Board | Board Member since 2000

Other main activities in 2020: Chairman of Sentec AG, and Chairman of Nexmed Holding AG, Venture Partner at Endeavour Vision SA.

Career highlights: Until 1999 Head of International Sales of Protek AG and later Manager Business Units and Sales Subsidiaries at Stratec Medical (later Stratec-Synthes/Johnson & Johnson), from 2000 to 2002 Chairman of Kuros Therapeutics (later Straumann), from 2001 to 2014 Board Member and Head of Technical Committee at Straumann Holding AG, from 2003 to 2015 Vice Chairman of Kuros Biosciences AG, since 2007 Venture Partner at Endeavour Vision SA, from 2015 to 2017 Chairman of Symetis AG (later Boston Scientific) and since 2000 Vice Chairman of Medartis Group.

Qualifications: He holds an Economics degree from University of Basel and an MBA from Graduate School of Business Administration Zurich and Boston University.

Key attributes for the board: He complements the Board with expert know-how in new technologies, product development and sales of medical devices and long-standing experience in building, developing and managing medical technology companies as an Executive, a Non-Executive Board Member, a Venture Partner and an Investor.

Willi Miesch

Non-executive Member

Member of the Board | Board Member since 2010

Other main activities in 2020: Board Member of the International Bone Research Association (IBRA), Member of the Investment Advisory Committee of MTIP.

Career highlights: CEO (Chief Executive Officer) at Medartis from 1998 until August 2019. Prior to that several long-term managerial positions in various production departments at Institut Straumann AG and Head of Manufacturing at Stratec Medical in Mezzovico, Ticino, Switzerland. Moreover, he was a member of the Executive Management Board at Villiger, a bicycle manufacturer, being responsible for all technical matters.

Qualifications: He holds a degree in Precision Engineering and a degree as Operations Technician TS from ABB Engineering School Baden with postgraduate studies in market-oriented Business Management at the University of Central Switzerland.

Key attributes for the board: Medartis benefits from his extensive knowledge of the medical industry, his global network of experts in the industry, his comprehensive experience related to his background in precision engineering and his long-term experience as an executive manager.

Dr. Jürg Greuter

Non-executive Member

Member of the Board | Board Member since 1997

Other main activities in 2020: Board Member of Stratus Services AG, CSI Basel Horse Event AG, Grand Hotel Les Trois Rois, Basel and centerVision AG.

Career highlights: Legal Counsel and Board Member at numerous small and mid-sized companies in Switzerland and in France in different sectors such as MedTech, Construction, Tourism, Shipping and Aviation. From 1990 to 2017 Founding Partner at Dietrich Greuter Wunder - Attorneys, Notaries and Mediators (now Dietrich Wunder Klingler Horni), in Basel.

Qualifications: He holds a PhD from the University of Basel Law School, attorney-at-law admitted to the Swiss Bar Association and Notary Public in Basel, Switzerland.

Key attributes for the board: He complements the Board with his extensive knowledge and experience with regards to legal and corporate matters as well as board member and legal counsel in various other companies.

Dr. med. Daniel B. Herren
Non-executive Member

Member of the Board | Board Member since 2017

Other main activities in 2020: None.

Career highlights: Since 2009 Head of the hand surgery department at Schulthess Clinic in Zurich and since 2017 Chief Medical Officer. From 2010 to 2014 Board Member of National Federation of Medical Doctors in Switzerland (FMH). In addition, he acted as President of the Swiss Society for Surgery of the Hand between 2010 and 2013. Currently, he is Secretary General of the Federation of European Societies for Surgery of the Hand (FESSH) and in conjunction with this role, member of the FESSH Executive Committee.

Qualifications: He holds a Medical degree from the University of Berne with postdoctoral studies at the ETH Zurich as well as a Master of Health Administration from the University of Berne.

Key attributes for the board: As an orthopaedic and hand surgeon he contributes in-depth expert and practical knowledge with many years of medical implants user experience.

Roland Hess
Non-executive Member

Member of the Board | Board Member since 2017

Other main activities in 2020: None.

Career highlights: From 2010 to 2017 Board Member of Straumann Holding and Chairman of the Audit Committee. From 2008 to 2012 internal senior advisor to the Executive Management of the Board of Directors of Schindler Holding AG. Between 2003 and 2007 President of the Executive Management Board of the Elevator and Escalator Division of Schindler. From 1984 to 2012 rising through positions of increasing responsibility in controlling, finance and regional management at the Schindler Group. From 1971 to 1984 international auditor at Nestlé and Head of Finance of a Nestlé Group Company. In addition to assignments in Europe his career includes several years in North- and Latin America, as well as Asia.

Qualifications: He holds a degree in Business Administration from Lucerne Business School and studied at Harvard Business School in Boston.

Key attributes for the board: He is an expert in multinational group auditing, financial reporting, corporate finance and adds profound business development experience.

Damien Tappy

Non-executive Member

Member of the Board | Board Member since 2018

Other main activities in 2020: Co-founder, President and Managing Partner of Endeavour Vision and Member of the Young President Organization (YPO).

Career highlights: Founder and Director of the Start-up and Spin-off program from the Swiss Federal Institute of Technology (EPFL) and co-Founder, President and Managing Partner of Endeavour Vision.

Qualifications: He holds a degree in management, technology and economics (MTE) from IMD, Lausanne, Switzerland. He graduated with honours as an Engineer in Micro-Technology at EPFL. He also worked as International Fellow in the field of Medical Imaging at the Stanford Research Institute in California (SRI International).

Key attributes for the board: His area of expertise is in healthcare with a specific focus on Medical Technologies and Digital Health on both side of the Atlantic. As managing partner of Endeavour Vision he contributes experience as a Board member and Chairman from various investee companies from his private equity activities.

Marco Gadola

Non-executive Member

Member of the Board | Board Member since 2020

Other main activities in 2020: Chairman of DKSH, Vice-Chairman of Calida Group, Board Member of the Straumann Group and Board Member of Medacta AG until May 2020, additional board mandates in non-public companies and co-owner CJG Consulting.

Career highlights: CEO (Chief Executive Officer) of the Straumann Group from 2013 to 2019. From 2008 to 2013 CEO Asia Pacific and Chief Financial and Information Technology Officer at Panalpina Group. Prior to this, he was Chief Financial Officer at Straumann Group and Hero and held a number of leadership positions at Hilti. He began his career at UBS in corporate finance and at Novartis as a senior auditor.

Qualifications: He holds a master's in business administration and economics from the University of Basel and completed programs at the London School of Economics and IMD Management School in Lausanne.

Key attributes for the board: Medartis benefits from his strong executive track record in a broad range of global businesses, extensive knowledge of the MedTech industry, his expertise in finance and coaching and his insights from board mandates in other industries.

3.2 Other activities and vested interests

Information on the other activities and interests of the members of the Board of Directors is shown in section 3.1.

3.3 Permitted other activities pursuant to OaEC

The number of external offices is stipulated as follows with binding effect in the [Articles of Association](#):

Members of the Board of Directors must not simultaneously hold more than 15 additional mandates in commercial enterprises, of which no more than 5 may be held in listed legal entities.

Not subject to the above restrictions are:

- a) Mandates in entities controlled by Medartis or controlling Medartis;
- b) Mandates in entities upon request of Medartis; and
- c) Mandates in associations, organizations and legal entities with a public or charitable purpose, foundations, trusts, as well as staff pension funds.

Mandates are defined as mandates in the highest management (Boards of Directors) of a legal entity which is obliged to be entered in the commercial register or in a corresponding foreign register. Mandates in different legal entities that are under uniform control or have the same economic justification are considered as one mandate.

All members of the Board of Directors are within the limits of external mandates stipulated by the [Articles of Association](#).

3.4 Elections and terms of office

Each Director is elected by the Annual General Meeting for a one-year term, which runs until the end of the next Ordinary General Meeting. Directors may be re-elected with no restrictions. There is no age or tenure limit.

The Chairman of the Board of Directors and the members of the Remuneration Committee are also elected by the Annual General Meeting.

If the Chairman's Office is vacant, the Board of Directors appoints a Chairman from among its members for the remaining term of office.

At the Annual General Meeting 2021, all members of the Board of Directors stand for re-election. Dr. h.c. Thomas Straumann has decided to hand over the leadership of the Board of Directors of Medartis after more than twenty years. The Board of Directors of Medartis will therefore propose Marco Gadola, member of the Board of Directors since 2020, for election as Chairman of the Board of Directors at the Annual General Meeting 2021. Dr. h.c. Thomas Straumann will assume the role of Vice Chairman in the future.

3.5 Internal organizational structure

The organization of the Board of Directors and its committees is set forth in the [Organizational Regulations](#), available on [Medartis website](#). The following paragraphs summarise the main elements of the [Organizational Regulations](#).

3.5.1 Composition of the Board of Directors, allocation of tasks within the Board of Directors and Corporate Social Responsibility

Subject to article 19 of the [Articles of Association](#), except for the election of the Chairman, the Board of Directors constitutes itself. It may designate one or several Vice-Chairmen among its members. It appoints a secretary, who shall not necessarily be a member of the Board of Directors. The individual positions (Chairman, Vice-Chairman, Member) are listed in section 3.1.

The Chairman regularly reviews the Board's composition to ensure that an adequate mix of skills and experiences is available to successfully manage the Company's current and future challenges. Based on general market views as well as certain international

corporate governance standards, four out of eight Board members may be considered non-independent. Based on its composition by skills, background and experiences as outlined in the table in section 3.1. above, the Board of Directors is in a position to ensure the successful execution of the Company's strategy through independent decision-making processes and a functioning system of checks and balances. The Board of Directors will continue to develop and amend its composition under the leadership of its Chairman along with the further development of Medartis over time.

In accordance with Swiss corporate law, the Board of Directors is responsible for the overall and high-level management of the Company, which cannot be delegated, and the supervision of the Chief Executive Officer and the other members of the Executive Management Board. The Board of Directors is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organizational Regulations](#).

The Board of Directors ensures that it is regularly informed about the business of the Company and about any developments that may be relevant thereto. It treats the reports and proposals submitted by the committees of the Board of Directors and by the Chief Executive Officer. All missions and competences of the Board of Directors are stipulated by article 15 of the [Organizational Regulations](#). Without limitation, these tasks may not be delegated. The Board of Directors may entrust committees with the preparation and implementation of all or some of its decisions, as well as with the supervision of certain matters as further explained in section 3.5.2.

The Chairman of the Board of Directors is responsible for the preparation, calling, organization and chairing of the Board Meeting. Together with the CEO, the Chairman is in charge of the outside representation of the Company.

Information regarding conflicts of interest can be found in articles 7 and 35 of the [Organizational Regulations](#).

The Board of Directors acknowledges that part of its responsibility of the Company's high-level management includes its understanding about how the Company is doing business and how its strategic targets shall be achieved, this is, what values and culture it desires and how the Company interacts with its stakeholders. It is the Board of Directors' firm believe that Medartis is a part of society, respecting human rights and treating natural resources and the environment with care when rendering its products and services. The Board of Directors regularly reviews progress towards this corporate social responsibility framework, which includes, amongst other:

- A comprehensive [code of conduct](#);
- Policies about how to interact with medical professionals, institutions and regulatory authorities;
- Policies about how to interact with external suppliers and advisors;
- Policies on ethical and other standards in the Company's research and development;
- An integrated compliance system and internal controls whose functionalities are regularly reviewed by the Finance and Audit Committee.

In 2020, the key topics of the Board of Directors included, amongst other, strategic business development projects, Covid-19 business continuity, board committee work and reports and the corporate organizational structure. The Board of Directors met 3 times in person and 6 times via video conference for an average meeting length of approx. 4 ¾ hours. Two members were excused in one meeting due to another business obligation.

3.5.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

The committees appointed by the Board of Directors support the preparation and implementation of all or some of the Board of Directors decisions, as well as the supervision of certain matters. The committees are entitled to conduct investigations (or have investigations conducted on their behalf) in all matters of their competence. They may request the services of independent advisors and experts.

The committees of the Board of Directors consist of a chairperson and of at least one (1) other member. Committee members are designated by the Board of Directors from within the latter's own members. Remuneration Committee members however, are elected by the Annual General Meeting of the shareholders (see article 8.2.c and 27 of the [Articles of Association](#)). In general, members of committees are elected for a period of up to one (1) year until the end of the next Ordinary General Meeting of the shareholders following their designation. The individual positions (Chairman, Member) are listed in section 3.1.

The committees of the Board of Directors meet upon calling by their respective chairpersons or upon request of one of the respective committee members as often as required for the fulfilment of their duties, but at least three (3) times a year. Persons other than committee members may attend the meetings of a committee upon invitation from the chairperson of such committee.

Finance and Audit Committee

The competences of the Finance and Audit Committee are set out in articles 24 and 25 of the [Organizational Regulations](#).

The Finance and Audit Committee is composed of at least two non-executive and independent members of the Board of Directors, as per article 20 para. 1 and article 24 para. 1 of the [Organizational Regulations](#). The Board of Directors issues a [Finance and Audit Committee Charter](#) which governs the organization of the Finance and Audit Committee.

The Finance and Audit Committee supports the Board of Directors in its supervisory function, in particular with respect to the completeness of the annual closing of accounts and financial statements, the compliance with statutory provisions, the analysis of the qualification of the external auditors, as well as the performance of the external auditors.

The Finance and Audit Committee assesses the usefulness and suitability of the financial reporting, the internal control system and the general supervision of business risks. It makes sure that a continued, efficient and productive communication exists between the Company and the external auditors regarding financial matters and course of business of the Company.

Due to the yet limited size and complexity of the Company's corporate structure, the Company has not established a dedicated internal audit group for financial, compliance and enterprise control matters. If need arises, an ad-hoc team of employees with the required skills is created to inspect and review special situations. These teams report their findings directly to the Finance and Audit Committee and, as the case may be, the Chief Financial Officer.

The chief financial officer of the Company (the "Chief Financial Officer") attends the meetings of the Finance and Audit Committee, except for portions when his or her presence would be inappropriate, as determined by the chairperson. At least once a year, the Finance and Audit Committee shall meet in separate sessions with the external auditors.

In 2020, the key topics of the Finance and Audit Committee included, amongst others, internal and external financial reporting, Covid-19 business continuity, external audit, matters of controlling, compliance and risk management. The Finance and Audit Committee met 5 times, once in person and 4 times via video conference for an average meeting length of approximately 3 ¾ hours with all members in attendance. In addition 16 Covid-19 "response team" calls were conducted with the CEO and CFO. The chairperson of the Finance and Audit Committee reports at every Board meeting on the Finance and Audit Committee activities and findings.

Remuneration Committee

The duties and responsibilities of the Remuneration Committee are set out in article 27 of the [Articles of Association](#) and in article 26 and 27 of the [Organizational Regulations](#).

The Remuneration Committee is composed of at least three non-executive and independent members of the Board, as per article 27 of the [Articles of Association](#) and article 26 para. 1 of the [Organizational Regulations](#). The Board of Directors issues a [Remuneration Committee Charter](#) which governs the organisation of the Remuneration Committee.

The key tasks of the Remuneration Committee are:

- Presenting motions to the Board of Directors in view of the next Ordinary General Meeting of shareholders with respect to the aggregate amount of remuneration of the Board of Directors and of the Executive Management Board of the Company;
- Assisting the Board of Directors in the preparation of the remuneration report, to be adopted by the Board of Directors and then disclosed to the shareholders of the Company in view of the next Ordinary General Meeting;
- Implementing the resolutions passed by the General Meeting of shareholders with respect to the aggregate amount of remuneration of the members of the Board of Directors and the members of the Executive Management Board;
- Assisting the Board of Directors in setting the conditions for the actual remuneration of the members of the Board and of the Executive Management Board in accordance with article 25 of the [Articles of Association](#), as well as advising the Board in the review and approval of general compensation and benefit policies, including any long-term incentive plans;

- Preparing and assessing the principles of remuneration of the Company and presenting corresponding motions to the Board of Directors in this respect for approval;
- Advising the Board of Directors in the setting-up, monitoring and regularly reviewing of the remuneration policy and guidelines at the highest level of the Company;
- Submitting recommendations or presenting motions to the Board of Directors on other remuneration-related matters.

In 2020, the key topics of the Remuneration Committee included, amongst others, the structure of the short and long term incentive plans as well as the setup and content of the Remuneration Report. The Remuneration Committee met one time in person and two times via video conference for an average meeting length of 1 hour with all members in attendance. The chairperson of the Remuneration Committee reports at every Board meeting on the Remuneration Committee activities and findings.

As of 04 March 2021, the Remuneration Committee was renamed "Human Resources and Compensation Committee" following its assumption of additional duties. Its new tasks are specified in the Human Resources and Compensation Committee Charter, dated 04 March 2021, which are available on the Medartis website.

Strategy and Innovation Committee

The duties and responsibilities of the Strategy and Innovation Committee are set out in article 28 and 29 of the [Organizational Regulations](#).

The Strategy and Innovation Committee is composed of at least two non-executive members of the Board, as per article 20 para. 1 and article 28 para. 1 of the [Organizational Regulations](#). The Board of Directors issues a [Strategy and Innovation Committee Charter](#) which governs the organisation of the Strategy and Innovation Committee.

The key tasks of the Strategy and Innovation Committee are:

- Assess the Company's annual plan and long-term strategy and provide guidance to the management to ensure the development, implementation, adherence and, if necessary, modification of the strategic plan and strategic goals;
- Review strategic risks and opportunities, including those resulting from the business environment in terms of competition, regulation, patients, surgeons, payors and providers;
- Review the Company's technology capabilities, including the ability to develop, acquire and maintain innovative technology through internal development, acquisitions, licensing, collaborations, alliances and other appropriate means;
- Identify and assess the market environment, specifically for technology innovations and trends, that could significantly affect the Company and the industry in which it operates;
- Review and advise on the Company's internal and external innovation expenditure plans, including the technical relevance of proposed activities;
- Assist the Board in overseeing the Company's investments in internal and external innovation, technology and developments, including acquisitions, licenses, collaborations and other business development activities;
- Identify, review and assess M&A and licensing opportunities in terms of their strategic fit, including sales structure and/or product portfolio.

In 2020, the key topics of the Strategy and Innovation Committee included mainly, the identification, review and assessment of M&A opportunities that fit strategy. The Strategy and Innovation Committee met 2 times in person and 2 times via video conference for an average meeting length of around 2 hours with all members in attendance. The chairperson of the Strategy and Innovation Committee reports at every Board meeting on the Strategy and Innovation Committee activities and findings.

3.5.3 Working methods of the Board of Directors and its committees

Upon invitation by the Chairman of the Board of Directors, the Board of Directors meets as often as required by the business of the Company, but at least four (4) times a year. Every member of the Board of Directors is entitled to request that a meeting of the Board of Directors be called by the Chairman of the Board of Directors. If the Chairman of the Board of Directors does not proceed with the calling of the meeting within fourteen (14) calendar days from the request, the requesting member of the Board of Directors is entitled to call the meeting.

Agendas for Board of Directors or Board Committee meetings are defined by the respective chairperson. At least five (5) calendar days prior to the meetings of the Board of Directors, the members shall timely receive the agenda as well as all appropriate documents and reports needed for the decision-making process.

The Board of Directors may validly pass resolutions when at least the majority of its members are attending the meeting in person or by means of communication that allow direct discussion (e.g. telephone or audio-visual conference). The Board of Directors passes its resolutions with the majority of votes cast, each director having one vote. Abstentions are not counted as votes cast. In case of equal votes, the Chairman of the meeting has the casting vote.

The agenda of the meetings is set by the respective committee chairperson. Discussions and resolutions are recorded in the minutes of the meetings.

The chairpersons of the Finance and Audit Committee, the Remuneration Committee and the Strategy and Innovation Committee report at each Board meeting about matters, which were discussed and resolved in their respective committee meetings.

The Chief Executive Officer is usually invited to attend the meetings of the Board of Directors in an advisory capacity. However, the Board of Directors regularly holds meetings or parts of their meetings without the participation of the Chief Executive Officer.

The dates for the ordinary meetings are set at an early stage so that all members are able to attend in person. The participants of the meeting receive detailed written documentation in advance for all motions. The committees meet upon calling of their chairperson as often as required for the fulfilment of the duties, the Audit and Finance Committee at least four (4) times a year, the Remuneration Committee at least three (3) times a year and the Strategy and Innovation Committee at least three (3) times a year.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the overall and high-level management of the Company, which, in accordance with Swiss corporate law, cannot be delegated, and the supervision of the CEO and the other members of the Executive Management Board. The Board of Directors is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organizational Regulations](#).

Unless set out otherwise in mandatory statutory provisions, the [Articles of Association](#) and the [Organizational Regulations](#), the Board of Directors delegates the management of the Company to the Chief Executive Officer.

The responsibilities and tasks and nature of cooperation between the Board of Directors and the Executive Management Board are stipulated in the [Organizational Regulations](#), which are available on the [Medartis website](#).

Key responsibilities and tasks of the Board of Directors are:

- Overall management of the Company and issuance of all necessary directives in this respect;
- Determining the organization, in particular adopting and amending the present [Organizational Regulations](#) as well as deciding on the setting up and dissolution of branches and offices;
- Organizing the accounting, financial planning and financial control, supervising and assessing the risks;
- Organizing the risk control and the risk assessment systems;
- Appointing, supervising and dismissing the persons entrusted with the management and the representation of the Company and regulating the signature powers;
- Adopting and amending guidelines namely on disclosure of shareholdings, management transactions, trading in own shares, insider information and market manipulation, ad hoc publicity, general stock exchange disclosure and reporting duties, as well as code of ethics and business conduct;
- Taking note of the Chief Executive Officer's and the external auditors' reports;

- Issuing the Annual Reports, as well as preparing the General Meetings of the shareholders and implementing the resolutions of the General Meetings of the shareholders;
- Notifying the court in the event of over-indebtedness;
- Based on the proposal of the Remuneration Committee, approving the remuneration report and deciding on the proposals on the aggregate amount of remuneration of the members of the Board of Directors and the members of the Executive Management Board to be submitted to the general meeting of the shareholders;
- Setting the conditions of 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 in accordance with article 30 and article 31 of the Articles of Association, as well as reviewing and approving the general compensation and benefit policies including any long-term incentive compensation or equity plans and the allocation of benefits under such plans;
- Examining the independence of the external auditors based on the preliminary work made in this respect by the Finance and Audit Committee;
- Deciding on the setting up, acquisition or disposal of subsidiaries, as well as the purchase or sale of shares and/or assets in other companies;
- Passing resolutions on budgeted and unbudgeted capital expenditures ("CAPEX") exceeding CHF 500'000;
- Assessing the performance of the Board of Directors, its committees and members.

3.7 Information and control instruments vis-à-vis the Executive Management Board

Medartis' Board of Directors has put different information instruments in place to provide oversight and monitor the execution of responsibilities it has delegated to the Executive Management Board.

Medartis has a fully integrated Management Information System on the basis of an SAP powered Enterprise Resource Planning, which covers most of the business transactions of the Group's consolidated entities.

The Board of Directors receives a detailed monthly sales report regarding the sales evolution by product line and by subsidiary, each as compared to the planned targets and prior years as well as comments on sales highlights.

Financial statements are submitted quarterly to and reviewed by the Finance and Audit Committee. The Chief Financial Officer as well as the chairperson of the Finance and Audit Committee present and comment the results in detail at the next meeting of the Board of Directors.

On the occasion of every meeting, the Board of Directors may request information, updates and reports from the Chief Executive Officer regarding the business of the Company. It is also a part of the Board of Directors' tasks to exchange regularly with the management as well as with the customers and the industry, e.g. visits to subsidiaries, customers or medical congresses.

In case of a specific occurrence (in the course of business or of an extraordinary nature) with significant business or financial relevance, the Chief Executive Officer is obliged to immediately inform the members of the Board of Directors.

3.8 Risk management in the Group

The Board of Directors is responsible for overseeing the Group's internal control system, which addresses strategic risks to which the Group is exposed. These systems provide appropriate security against significant inaccuracies and material losses.

Medartis developed, implemented and maintained a Quality Management System in order to document the overall Group's best business practices, to ensure overall risk controlling, better satisfy the requirements and expectations of its customers and improve the overall management of the Group.

Medartis' continuous iterative risk management process throughout the entire lifecycle of Medartis medical devices aims to high quality products, processes and related customer support.

The certified Quality Management System matches all related medical industry standards. Scope of the Quality Management System as also specified on the Company's EN ISO 13485:2016 certificate refers to design and development, manufacturing, distribution of cranio-maxillofacial and orthopaedic implants and instruments. Design and development of medical image processing, simulation and design software.

Quality audits are an integrated part of the Medartis Quality Management System and cover the control of the established processes to fulfill all required regulatory medical industry standards.

Internal audits are performed by trained internal auditors and contribute to the regulatory and technical aspects of the EN ISO 13485:2016 on a yearly basis.

External audits are performed autonomously by third parties. Those include the notified body TÜV Rheinland, national or international authorities with entitled interest, for example, Food and Drug Administration FDA (US), Swissmedic, Anvisa (Brazil). All potential findings from these audits are managed within the Medartis corrective and preventive action system.

The Executive Management Board assesses periodically financial and operational risks resulting in an Internal Control System (ICS) matrix which is reviewed by the Board of Directors.

The Finance and Audit Committee is periodically monitoring the risk assessment of Medartis and assesses the proposed risk mitigating measures proposed by the Executive Management Board.

Periodically a session is held with the Executive Management Board and the General Managers of the major subsidiaries to assess and discuss the major actual and future business risks. These findings are discussed at the Board of Directors meetings.

4. Executive Management Board



Axel Maltzen, Mareike Loch, Dominique Leutwyler, Dr. Christoph Brönnimann, Lisa C. Thompson, Manuel Schaer and Anthony Durieux-Menage (from left to right).

4.1 Members of the Executive Management Board

The table below sets forth the name, year of birth, function, membership and term of office of each Executive Management Board member as of the date of this Corporate Governance Report.

Name	Born	Nationality	Position	Year of Appointment
Dr. Christoph Brönnimann	1966	Swiss	Chief Executive Officer	2019
Dominique Leutwyler	1970	Swiss	Chief Financial Officer	2001
Axel Maltzen	1969	German	Chief Production Officer	2014
Anthony Durieux-Menage	1974	France	Chief Human Resources Officer	2019
Lisa C. Thompson	1957	US	President North America	2020
Mareike Loch	1970	German	Vice President EMEA	2020
Manuel Schaer	1970	Swiss	Chief Technology Officer	2020

There were three changes within the Executive Management Board during the year under review. Lisa C. Thompson was appointed as President North America effective 27 April 2020. Mareike Loch was appointed as Vice President EMEA effective 17 August 2020. Manuel Schaer was appointed as Chief Technology Officer effective 1 November 2020. He succeeded Thomas Tribelhorn, who has decided to take on a new challenge.

Dr. Christoph Brönnimann**Chief Executive Officer**

Career highlights: CEO (Chief Executive Officer) at Medartis AG since September 2019. Previously, he held various leadership roles in larger organizational units since 2005 at Synthes, e.g. responsible for the global integration of Stratec and Mathys, for global quality management, for international logistics and General Manager of Synthes Switzerland. At Johnson & Johnson, following its acquisition of Synthes, he headed the J&J ONE Medical Device unit for Germany, Switzerland and Austria. Prior to this, he was working at PwC in M&A consulting and corporate finance and began his career at Roche, where he worked in marketing and product management in the US from 1996 to 2000.

Qualifications: He holds a PhD in chemistry from ETH Zurich and completed a General Management Program at the Harvard Business School.

Dominique Leutwyler**Chief Financial Officer and Deputy CEO**

Career highlights: CFO (Chief Financial Officer) at Medartis AG since July 2001 with in-depth understanding of the medical devices business. Previously 7 years as CFO of Saab Automobile Switzerland at General Motors Head Quarter in Zurich, before project manager in various positions and with extensive financial knowledge and broad experience in ICT and supply chain.

Qualifications: He holds a degree in Accounting at the Commercial Business School Basel and a federal commercial degree at the University Children's Hospital Basel.

Axel Maltzen**Chief Production Officer**

Career highlights: Since 2008 Head Quality Management and since 2014 Chief Production Officer (CPO) at Medartis AG. From 2005 to 2008 Head Quality Management at Stryker Leibinger and from 2003 to 2005 Team Leader for environmental facilities at tesa plant Hamburg. Earlier he was responsible as Head Project Manager for international environment projects at AB Umwelttechnik.

Qualifications: He holds a degree as Mechanical Engineer specialized in process engineering.

Anthony Durieux-Menage**Chief Human Resources Officer**

Career highlights: CHRO (Chief Human Resources Officer) at Medartis AG since June 2019. Prior he was Group HR Director at Swiss pharma Company Acino and held management roles in HR and Operational Excellence at Novartis. Previously, he was production engineer at Ajinomoto in France and started his career at Lesaffre as a biochemistry engineer.

Qualifications: He holds a Master's degree in Biochemistry from the National Institute of Applied Sciences in Toulouse (France).

Lisa C. Thompson**President North America**

Career highlights: At Medartis AG since April 2020. She contributes over 25 years of experience in the Medical Device industry specializing in Orthopedic hardware, trauma & extremities, biologics, and spine. Previously, she worked as an independent management consultant and interim manager in the medical technology industry from 2012 to 2017, with mandates including Vice President Marketing at BioMedical Enterprises and Chief of Staff first at Medshape and then at Zimmer Biomet, Bone Healing Technologies. She then took over the latter division as Vice President & General Manager (2017–2019). From 2005 to 2011, Lisa Thompson held various management positions at Stryker Orthopaedics, including Vice President Global Marketing in Trauma & Extremities and Senior Director Marketing in US Extremities. From 1989 to 2005, she was Global General Manager Bone Growth Technologies at EBI Medical Systems. She started her career as Sales Executive in the medical sector.

Qualifications: She holds a Bachelor of Fine Arts from Fairleigh Dickinson University and completed the Harvard Business School Leadership Course.

Mareike Loch**Vice President EMEA**

Career highlights: At Medartis AG since August 2020. Over 23 years of experience in the medical device industry. Prior to joining Medartis she was Vice President EMEA for Trauma, Extremities, Foot&Ankle, Sportsmedicine and Biologics at Zimmer Biomet. She spent 5 years in Singapore as Vice President APAC Marketing & Business Intelligence and before that 3 years as Senior Director Global Brand Management and responsible for the hip and knee franchises in EMEA. Previous roles also include two years in Japan and several marketing and sales roles for Sulzer Medica upon joining in 1997.

Qualifications: She holds a Master's degree in product design from the Glasgow of Art and a Master's degree in mechanical engineering from the University of Glasgow.

Manuel Schaar**Chief Technology Officer**

Career highlights: At Medartis AG since November 2020. He joined Medartis coming from DePuy Synthes Johnson & Johnson, where he held various positions with increasing responsibilities over the past 23 years. Most recently he was a Senior Director in the EU MDR Program Management Office, where he was responsible for the MDR readiness of the commercial organization. Prior to that, he served as Senior Director Strategy & Process Improvement Supply Chain, where he had global cross-functional strategic responsibility for driving efficiency and effectiveness across the organization in the areas of design quality, R&D innovation and supply chain. In previous roles, he had responsibilities as the Director for Asia Pacific Spine R&D, for Technology Integration Spine and as the Head of Product Development Spine. He started his career as Product Development Engineer and Product Manager at Stratec Medical (later Synthes-Stratec).

Qualifications: He holds a Master of Science in Mechanical Engineering and Biomechanics from the Swiss Federal Institute of Technology (ETH) in Zurich.

4.2 Other activities and vested interests

No member of the Executive Management Board has any other activities or vested interests in accordance with the directive outside of Medartis.

4.3 Permitted other activities pursuant to OaEC

The number of external offices is stipulated as follows with binding effect in the [Articles of Association](#):

Members of the Executive Management Board must not simultaneously hold more than 3 additional mandates in commercial enterprises, of which no more than 1 may be held in a listed legal entity.

Not subject to the above restrictions are:

- a) Mandates in entities controlled by Medartis or controlling Medartis;
- b) Mandates in entities upon request of Medartis; and
- c) Mandates in associations, organizations and legal entities with a public or charitable purpose, foundations, trusts, as well as staff pension funds.

Mandates are defined as mandates in the highest management body (Boards of Directors) of a legal entity which is obliged to be entered in the commercial register or in a corresponding foreign register. Mandates in different legal entities that are under uniform control or have the same economic justification are considered as one mandate.

All members of the Executive Management Board are within the limits of external mandates stipulated by the [Articles of Association](#).

4.4 Management contracts

There are no management or service contracts with third parties.

5. Compensation, shareholdings and loans

The relevant information to compensation, shareholdings and loans can be found in the Remuneration Report Section of this Annual Report.

6. Shareholders' participation rights

6.1 Voting rights restrictions and representation

Each share entitles the holder to one vote. Persons who have participated in any way in the management of the Company do not have the right to vote on resolutions to ratify the actions of the Board of Directors.

Each shareholder may be represented at the General Meeting by another person who is capable of acting and who need not be a shareholder, on the basis of a written power of attorney.

Each shareholder may be represented by the independent proxy. The requirements for powers of attorney and instructions are determined by the Board of Directors.

6.2 Quorums required by the Articles of Association

The [Articles of Association](#) do not prescribe that a quorum of shareholders is required to be present at a shareholders' meeting.

The [Articles of Association](#) do not contain quorums deviating from Swiss statutory law.

6.3 Convocation of the Annual General Meeting of shareholders

Under Swiss law, the Annual General Meeting must be held within six months of the end of a Company's preceding financial year. Shareholders' meetings may be convened by the Board of Directors or, if necessary, by a Company's statutory auditors or liquidators. The Board of Directors is further required to convene an extraordinary shareholders' meeting if resolved at a shareholders' meeting or within two months if requested by one or more shareholder(s) representing in aggregate at least 10% of a Company's nominal share capital registered in the commercial register.

6.4 Inclusion of items on the agenda

Shareholders representing a total of at least 10% of the share capital or jointly representing shares with a nominal value of CHF 1 million may request that an item be included on the agenda of the Annual General Meeting. If no deadline is specified in the Company's notice regarding the possible inclusion of items on the agenda, or if the Company waives the publication of such notice, the request for inclusion on the agenda must be made in writing at least forty-five (45) days prior to the meeting, stating the item to be discussed and the motions of the shareholder or shareholders.

No resolutions may be passed on motions relating to items not duly announced, with the exception of motions to convene an extraordinary shareholders' meeting, to conduct a special audit and to elect an auditor at the request of a shareholder.

No prior notice is required for motions relating to the items on the agenda and for negotiations without a resolution.

6.5 Entries in the share register

The Company issues its shares as uncertificated securities (Wertrechte) within the meaning of article 973c CO and registers them as intermediated securities (Bucheffekten) within the meaning of the Swiss Federal Intermediated Securities Act. In accordance with article 973c CO, the Company maintains a register of uncertificated securities (Wertrechtbuch).

Voting rights may be exercised only after a shareholder has been recorded in the share register as a shareholder with voting rights up to a specific qualifying day designated each time by the Board of Directors.

Acquirers of shares will be recorded in the share register as shareholders with the right to vote, provided that they expressly declare that they acquired the registered shares in their own name and for their own account and fulfill certain other requirements.

7. Changes of control and defense measures

7.1 Duty to make an offer

Rules in the [Articles of Association](#) on opting out (art. 125 para. 3 and art. 4 FMIA) and opting up (art. 135 para. 1 FMIA), stating the percentage threshold:

The Company's [Articles of Association](#) contain an opting-out provision and accordingly the obligation to submit a mandatory public takeover offer pursuant to the applicable provisions of the Swiss Financial Market Infrastructure Act (the "FMIA") is set aside in the sense of art. 125 paragraph 3 and 4 FMIA (Opting-out). Apart from this existing opting-out provision, there are no limitations regarding shareholder rights, i.e. with respect to admissibility and voting of shareholders.

The opting-out provision was adopted in the [Articles of Association](#) before the initial public offering as a safeguard to avoid an unwanted triggering of the duty to make an offer by the majority shareholder as a consequence of potential future changes in the Company's issued equity capital, as stipulated by the Swiss legislation regarding mandatory takeover offers and based on the current practices of the Swiss takeover board.

7.2 Clauses on changes of control

With respect to the compensation of the Executive Management Board in connection with the occurrence of a change of control, the [Articles of Association](#) allow for the continuation, shortening or withdrawal of exercise conditions and periods and vesting periods, for the payment of compensation based on the assumption that the target values are achieved, or the forfeit of compensation.

Other than provided in the LTI program as described in section 2.7 above, there are no agreements with the members of the Board of Directors or the Executive Management Board in the event of change of control.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Ernst & Young AG have been appointed as Group and statutory auditors of the Company at the 2020 General Meeting, having been the auditors since the year ending 2004. The auditor in charge is new in its function since 2018. The shareholders re-elect the auditors on an annual basis at the General Meeting.

8.2 Auditing fees

The total auditing fees charged by the audit firm in the year 2020 for the audit of the financial statement were TCHF 219 (2019: TCHF 334).

8.3 Additional (non-audit related) fees

The total fees charged in the year under review by the audit firm for additional services performed for Medartis were TCHF 10 (2019: TCHF 0). The additional fees for 2020 were mainly related to additional consulting.

8.4 Information instruments pertaining to the external audit

The Finance and Audit Committee oversees the activities of the auditors and assesses the performance, remuneration and independence of the external auditor annually. The Board of Directors proposes the election of the external auditor to the Annual General Meeting based on the recommendation of the Finance and Audit Committee. The Finance and Audit Committee assesses the scope of the audit by the external auditor and the relevant procedures annually and discusses the audit findings with the external auditor. During the reporting year, 4 meetings were held with the representatives of the external auditor. For additional information see section 3.5.2 of this Annual report.

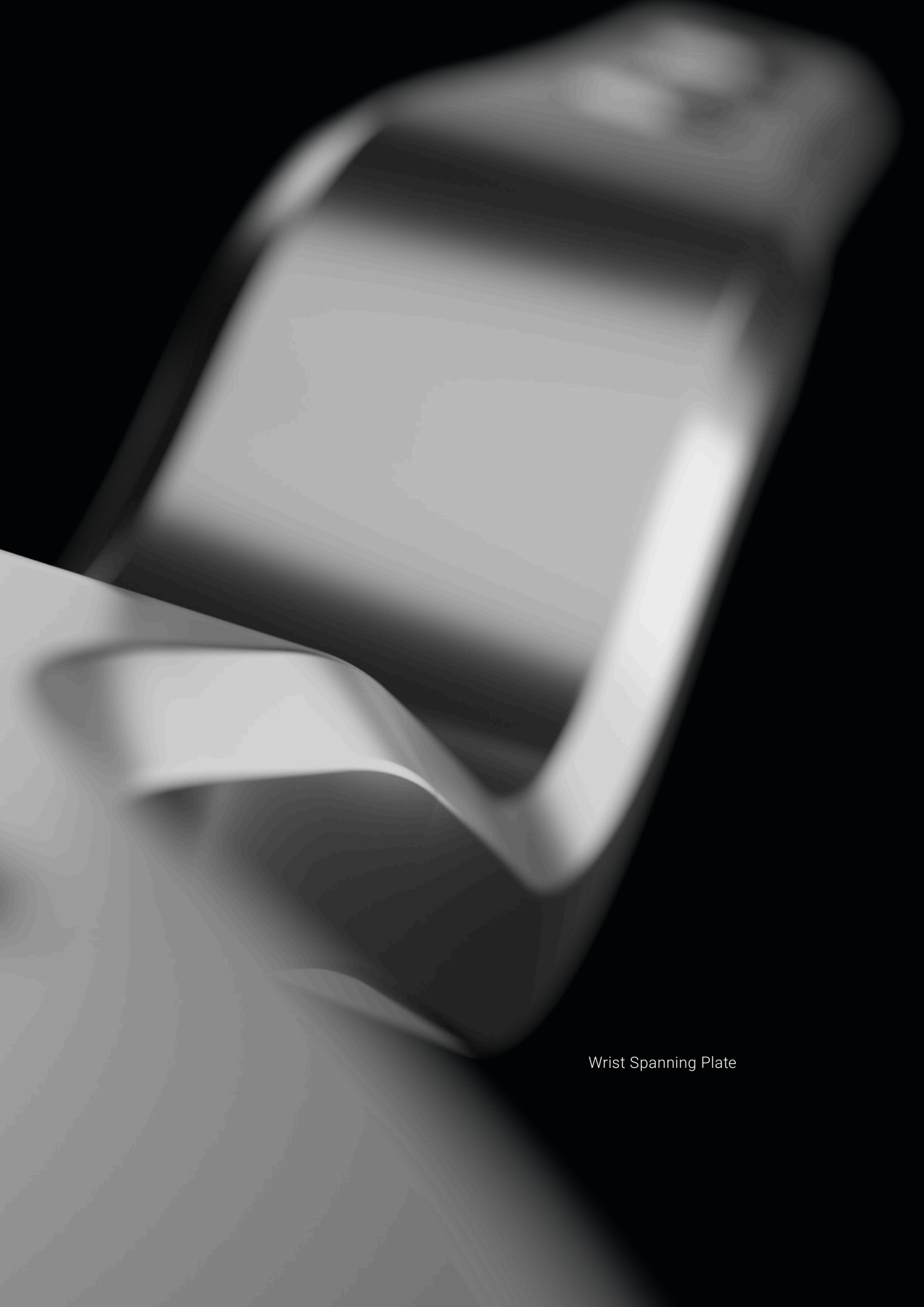
9. Information policy

Medartis is committed to a policy of transparent, open and continuous information. Shareholders receive information through the Annual Report, the Half Year Report, media releases, the internet and at the Annual General Meeting. In accordance with the rules of the SIX Swiss Exchange, Medartis publishes relevant figures on a half-yearly basis. Moreover, Medartis provides continuous information on important events according to the rules of ad-hoc notifications.

The frequency and form of information that the issuer provides its shareholders, along with an indication of permanent sources of information and contact addresses of the issuer that are publicly accessible or made specially available to shareholders (e.g. links to web pages, information centres, printed matter).

For more information, please visit www.medartis.com/investor-media-relations or address requests to:

Medartis Holding AG
Investor and Media Relations
Hochbergerstrasse 60E
4057 Basel
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Wrist Spanning Plate

2020 | 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 talents 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 Annual General Meeting, and of the Executive Management Board for the next full financial year following the year of the Annual 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. 35).

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 analyzed:

- The Klingler Survey for Executive members for similar 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
- The Mercer Total Remuneration Survey for Executive members of mid-size companies

The Remuneration Committee may decide to consult external advisors on specific compensation matters. Since 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 2020, fixed board fees were paid in cash and/or in Restricted Shares. 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.

Marco Gadola has been elected as an additional independent member of the Board of Directors at the Annual General Meeting on 17 April 2020. Following his election, he became a member of the Finance and Audit Committee.

All current members of the Board of Directors and Chairman Dr. h.c. Thomas Straumann have been re-elected.

Willi Miesch has been appointed Chairman of the Strategic & Innovation Committee as of March 2020.

In order to participate to the cost-control efforts due to impact of the Covid-19 on our business, the members of the Board of Director decided to waive 40% of their fees between May and December 2020.

Main principles of the new plan which manages the calculation and allocation of the Medartis Restricted Shares for the members of the Board of Directors:

Unless otherwise determined by the Board, the Allocation Date shall be within 30 days from the Annual General Meeting at which the compensation to the board for the respective period was approved.

Immediately before the Allocation Date, the equivalent of the Board Fee that a Board Member elected to receive in the form of Medartis Restricted Shares instead of cash shall be converted into a number of Medartis Restricted Shares as set out below. The remaining part of the Board Fees continues being paid out in cash according to the usual processes and timelines.

The equivalent of the Board Fee that a Board Member elected to receive in the form of Medartis Restricted Shares shall not be paid out in cash, but shall instead be converted into a number of Medartis Restricted Shares, by dividing such amount by a Share value that equals 85% of the volume-weighted average price of a Share over a period of 20 trading days ending with the last trading day before the Annual General Meeting that triggers the Allocation Date:

$$\frac{\text{selected Board Fee portion}}{85\% * (20\text{-day volume-weighted average Share price)}} = \text{number of RS allocated}$$

The Medartis Restricted Shares are allocated during the 30 days after the Annual General Meeting with a discount of 15%. The allocated Medartis Restricted Shares are subject to a Restriction Period of 2 years.

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 or car allowance, family allowance, seniority gift).

During the year 2020, three changes to the Executive Management Board have been communicated: the appointment of Lisa Thompson as President North America as of April, the one of Mareike Loch as Vice President EMEA as of August and the one of Manuel Schaer as CTO as of November. Manuel Schaer succeeded Thomas Tribelhorn (who has decided to take on a new challenge).

There were no relevant changes to the remuneration structure for the Executive Management Board in 2020.

In order to participate to the cost-control efforts due to impact of the Covid-19 on our business, the members of the Executive Management Board who were already in function in January 2020 decided to waive 10% of their fixed salary between May and December 2020 and 20% of their 2020 long-term incentive compensation.

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 2020, 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) amounts to 75% for the CEO (previous year: 75%) and 21%-40% for other members of the Executive Management Board (previous year: 20%–29%), 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 and regional net sales are additionally used for the ones with regional sales responsibilities. These metrics 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 and vice versa.

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.

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).
 - From this threshold of 95% (which corresponds to 0 payment) the progression is linear following the previous rule which explains that each percentage point that the performance is above the threshold, the payable amount on the respective metric is increased by 20%.
- The maximum paid amount of the STI is capped at 200%.

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

Example of calculation (fictitious):

An Executive Management Board Member of Medartis AG participating in the STI Plan has a target value of CHF 100'000 that can be broken down as follows:

- CHF 50'000 based on net sales
- CHF 30'000 based on OPEX
- CHF 20'000 based on EBITDA

The following (fictitious) budget figures and annual results (in millions of CHF) would result in a total STI value of CHF 156'400.

KPIs	Absolute budget value	Percentual budget value	Actual value	Actual%	Goal achievement	STI sub-value
Net Sales	120	100%	125		+104.2% (125/120)	+184% (100% + 4.2 * 1/5)
OPEX	60	50% of net sales	62	49.6% (62/125)	+100.8% (50/49.6)	+116% (100% + 0.8 * 1/5)
EBITDA	15	12.5% of net sales	16	12.8% (16/125)	+102.4% (12.8/12.5)	+148% (100% + 2.4 * 1/5)

KPIs	STI sub-value %	STI sub-value in CHF	STI total value in CHF
Net Sales	+184%	92'000 (184% * CHF 50'000)	CHF 156'400 (CHF 92'000 + CHF 34'800 + CHF 29'600)
OPEX	+116%	34'800 (116% * CHF 30'000)	
EBITDA	+148%	29'600 (148% * CHF 20'000)	

The maximum payout amount of the STI is limited to 200% (in the example shown, CHF 200'000)

d. Long-term incentive

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, the Board of Directors at its sole discretion may determine the grant amount for members of the Executive Management Board, which will be converted into a number of granted Restricted Shares (RS), subject to a 2-year restriction period for Swiss-Residents or a number of Restricted Stock Units (RSUs), subject to a 1-year vesting and a 1-year blocking period for non-Swiss residents.

Allocation of RS (for Swiss Tax-Residents) or RSUs (for non-Swiss Tax-Residents) granted for any calendar year will take place within two business days after the Annual General Meeting of the following calendar year. At the end of the restriction period (2 years for both plans), participants have the right to freely dispose of the shares.

The number of RS allocated for Swiss Tax-Residents is calculated as follows:

The grant amount will be converted into a number of RS, by dividing such amount by a share value that equals 75% of the volume-weighted average price of a share over a period of 20 trading days ending with the last trading day before the Annual General Meeting that triggers the allocation:

$$\frac{\text{Grant Amount}}{75\% * (20\text{-day volume-weighted average Share price})} = \text{number of RS allocated}$$

The number of RSUs allocated for non-Swiss Tax-Residents is calculated as follows:

The grant amount will be converted into a number of RSUs, by dividing such amount by a share value that equals 75% of the volume-weighted average price of a share over a period of 20 trading days ending with the last trading day before the Annual General Meeting that triggers the allocation:

$$\frac{\text{Grant Amount}}{75\% * (20\text{-day volume-weighted average Share price})} = \text{number of RSUs allocated}$$

The LTI grant amounts for 2020 will be allocated to Executive Management Board members following the Annual General Meeting of 2021. The LTI compensation amount disclosed in the audited tables in section 4 show the allocated LTI grant amount for 2020.

As of 2021, Medartis plans to implement another compensation element:

- "Bonus Restricted Shares Plan": Members of the Executive Management Board and key employees of the Headquarter will have the possibility to receive all or part of their short-term incentive payout in the form of RS instead of cash. The implementation is planned for the 2021 short-term incentive payout in 2022.

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. 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.

Each Executive Management Board member is entitled to the following fringe benefits: a company car (or car allowance), a family allowance (if there are eligible for it), seniority gifts and wedding bonus.

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.

4. Actual remuneration for the reported year

This section contains:

- the actual compensation paid to the Board of Directors for 2020;
- the actual compensation paid to the Executive Management Board for 2020;
- other compensation-related information under the OaEC;
- a general pay-for-performance review;
- comments on the alignment between paid and pre-approved amounts; and
- 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

The below table shows the compensation paid to members of the Board of Directors for the period between the Annual General Meeting 2020 and the Annual General Meeting 2021. With the exception of Marco Gadola who has been appointed in April 2020, all other individuals were members of the Board of Directors during the entire term of office. Values in italics represent data for the period between the Annual General Meeting 2019 and the Annual General Meeting 2020.

Audited table:

	Fixed board fee (cash)	Social security contributions	Restricted Shares	Total
Thomas Straumann Chairman of the Board	387'933 CHF <i>529'000 CHF</i>	132'209 CHF <i>136'112 CHF</i>	0 CHF <i>n/a</i>	520'142 CHF <i>665'112 CHF</i>
Dominik Ellenrieder Vice-chairman of the Board Chairman of the Remuneration Committee Member of the Strategy and Innovation Committee	201'667 CHF <i>275'000 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>n/a</i>	201'667 CHF <i>275'000 CHF</i>
Roland Hess Member of the Board Chairman of the Finance & Audit Committee	55'000 CHF <i>150'000 CHF</i>	6'796 CHF <i>9'375 CHF</i>	55'000 CHF <i>n/a</i>	116'796 CHF <i>159'375 CHF</i>
Jürg Greuter Member of the Board Member of the Remuneration Committee	73'333 CHF <i>100'000 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>n/a</i>	73'333 CHF <i>100'000 CHF</i>
Daniel Herren Member of the Board Member of the Strategy and Innovation Committee	55'000 CHF <i>100'000 CHF</i>	5'921 CHF <i>8'100 CHF</i>	18'333 CHF <i>n/a</i>	79'254 CHF <i>108'100 CHF</i>
Marco Gadola Member of the Board Member of the Finance & Audit Committee	0 CHF <i>n/a</i>	6'573 CHF <i>n/a</i>	73'333 CHF <i>n/a</i>	79'906 CHF <i>n/a</i>
Willi Miesch Member of the Board Chairman of the Strategy and Innovation Committee Member of the Remuneration Committee	110'000 CHF <i>100'000 CHF</i>	15'936 CHF <i>7'380 CHF</i>	0 CHF <i>n/a</i>	125'936 CHF <i>107'380 CHF</i>
Damien Tappy Member of the Board Member of the Finance & Audit Committee	0 CHF <i>100'000 CHF</i>	0 CHF <i>0 CHF</i>	73'333 CHF <i>n/a</i>	73'333 CHF <i>100'000 CHF</i>
Total all members	882'933 CHF <i>1'354'000 CHF</i>	167'435 CHF <i>160'967 CHF</i>	219'999 CHF <i>n/a</i>	1'270'367 CHF <i>1'514'967 CHF</i>

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.
- "Social security contributions": Company contributions to social security and occupational pension schemes, as far as applicable.
- The valuation of Restricted Shares is based on a 20 trading days average from the 18 March 2020 till the 16 April 2020 accordingly to the LTI policy for the Board of Director fees

b) Remuneration of the Executive Management Board

The below table shows the compensation paid to the CEO and other members of the Executive Management Board for 2020. The Executive Management Board consists of the CEO and six additional members. One member has joined the Executive Management Board in April (Lisa Thompson, President North America) another one in August (Mareike Loch, Vice President EMEA) and a last one in November (Manuel Schaer, CTO).

All other members have been members of the Executive Management Board during the entire period.

For the three withdrawals from the Executive Management Board (Willi Miesch, ex-CEO, Oliver Marx ex-CSO, Thomas Tribelhorn ex-CTO), the compensation paid during their respective notice period have been included in the table here after (for any compensation to be paid during the remainder of their notice period, it will be included in the remuneration report for 2021). Values in italics represent data for the year 2019.

Audited table:

	Fixed compensation	Variable compensation in cash	Variable compensation in equity	Indirect compensation	Total
	Fixed base salary	Annual short-term incentive (STI)	Long-term incentive (LTI)	Social security contributions and fringe benefits	
Christoph Brönnimann CEO	466'667 CHF ⁽¹⁾ <i>167'666 CHF</i>	422'325 CHF <i>37'000 CHF</i>	400'000 CHF <i>166'667 CHF</i>	314'948 CHF <i>74'843 CHF</i>	1'603'940 CHF <i>446'175 CHF</i>
Other members of the Executive Management Board ⁽²⁾	1'624'104 CHF <i>1'284'292 CHF</i>	462'432 CHF <i>94'967 CHF</i>	468'834 CHF <i>444'444 CHF</i>	740'027 CHF <i>527'588 CHF</i>	3'295'397 CHF <i>2'351'292 CHF</i>
Total all members of the Executive Management Board (incl. CEO) ⁽²⁾	2'090'771 CHF <i>2'050'558 CHF</i>	884'757 CHF <i>226'687 CHF</i>	868'834 CHF <i>944'444 CHF</i>	1'054'975 CHF <i>884'985 CHF</i>	4'899'337 CHF <i>4'106'675 CHF</i>

⁽¹⁾ The start date of the CEO was on September 1st 2019 which explains the large difference between the 2 years

⁽²⁾ Included the remuneration of three Executive Management Board Members leaving the company who still received a compensation in 2020.

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 2020, payable in 2021. 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 2020, plus step-up in value deriving from the use of a 25% 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. This column further includes the value of fringe benefits, consisting of company car private use (or car allowance), family allowance (if applicable), seniority gifts or wedding bonus.
- The Executive Management Board does have seven members in 2020 compared to six in 2019. The CSO position has been split and we do have one Executive member in charge of EMEA and another one of North America. APAC and LATAM are managed by the CEO.

c) Other compensation-related information under the OaEC

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 2020, the weightings for the different metrics for the annual short-term incentive of members of the Executive Management Board have been:

Weighting of STI performance criteria	Company Net Sales	Company OPEX	Company EBITDA	Regional Net Sales
CEO	50%	30%	20%	n.a.
CFO	50%	30%	20%	n.a.
CTO	50%	30%	20%	n.a.
CHRO	50%	30%	20%	n.a.
CPO	50%	30%	20%	n.a.
VP EMEA	25%	15%	10%	50%
President North America	25%	15%	10%	50%

The 2020 achievements are:

2020 achievements / payouts	Company Net Sales (achievement/payout)	Company OPEX (achievement / payout)	Company EBITDA (achievement/payout)	Regional Net Sales (achievement/payout)	Total STI payout* (capped at 200%)
CEO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CFO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CTO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CHRO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CPO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
VP EMEA	<95%/0%	103.06%/161.2	111.06%/321.2%	<95%/0%	56.3%
President North America	<95%/0%	103.06%/161.2	111.06%/321.2%	<95%/0%	56.3%

* The STI payout level in 2019 was at 30% for all Executive Management Board Members

Consequently and in total, the STI payout to members of the Executive Management Board (excl. CEO) for 2020 equals CHF 462'432 (previous year CHF 94'967) as stated in the above compensation tables, which represents 28% (previous year: 7%) of the fixed base salary in the same period. For the CEO, the STI payout of CHF 422'325 (previous year: CHF 37'000) represents 90% of the base salary (previous year: 22%).

In addition, and as also set out in the above compensation tables, the grant value of restricted shares under the LTI was CHF 468'834 (previous year CHF 444'444) for the entire Executive Management Board (excl. CEO), CHF 400'000 for the CEO in 2020 which is 2.4 times higher compared to 2019 (previous year: CHF 166'667) as he did start his function as of September 1st 2019.

The aggregate variable compensation (STI and LTI) for 2020 represents 176% (previous year: 121%) 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 2020 represents 57% (previous year: 42%) of the fixed base salary for the entire Executive Management Board (excl. CEO). This is the total pay mix for the regular compensation elements.

Total compensation paid for 2020 was higher than for 2019, mainly because of the additional members (Lisa Thompson (President North America) as of April 2020 - Mareike Loch (Vice President EMEA) as of August 2020 and Manuel Schaer (CTO) as of November 2020) and the overlapping of compensation of the other members leaving the company (Willi Miesch (ex-CEO) - Oliver Marx (ex-CSO) and Thomas Tribelhorn (ex-CTO)). The second reason for the difference is a higher achievement level of STI targets compared to 2019.

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

At the Annual General Meetings of Medartis Holding AG on 17 April 2020 and on 10 May 2019, 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 2020 to the General Meeting 2021:	CHF 1'918'955
Fixed base salary to the Executive Management Board (incl. CEO) for the business year 2020:	CHF 2'900'000
Variable compensation to the Executive Management Board (incl. CEO) for the business year 2020:	CHF 3'445'525

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 2020 (subtotal fixed board fee and social security contributions) amounts to CHF 1'270'367 (previous year: CHF 1'514'967) which is within the limits of the pre-approved maximum amounts at the General meetings (CHF 1'918'955).

Executive Management Board, fixed base salary 2020:

The total amount approved by the Annual General Meeting in 2019 for the fixed base salary of the Executive Management Board for the period from 1st January 2020 to 31st December 2020 amounts to CHF 2'900'000.

The sum of the total fixed base salary paid to the Executive Management Board (incl. CEO and new members) for the year 2020 amounts to CHF 2'811'324 is within the limits approved by the Annual General Meeting for the same period.

The amount paid for the new CEO and the new Executive Management Board member are compliant with the rules defined in Art. 32 of the Articles of Association as explained in section 1 of the remuneration report.

Executive Management Board, variable compensation for 2020:

Variable compensation includes the annual short-term incentive (STI) and the long-term incentive (LTI). The total aggregate amount of those two elements for 2020, as shown in the above compensation tables, equaled CHF 2'088'013 (previous year: CHF 1'171'131) 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 3'445'525).

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

See attachment to the 2020 financial statements of Medartis Holding AG.



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 4 March 2021

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 2020. 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 51 to 52 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 2020 of Medartis Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert



Radius and Ulna Shaft Plate

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Medartis Group Consolidated Financial Statements

Consolidated Balance Sheet

(at 31 December 2020 and 2019)

(CHF)	Notes	31 December 2020	31 December 2019
Assets			
Current assets:			
Cash & Cash equivalents		82'734'816	99'571'993
Accounts receivable trade	7.1	24'189'296	26'385'413
Accounts receivable other	7.1	2'982'861	5'921'483
Income tax receivables		525'157	412'437
Inventories	7.3	49'556'566	47'159'848
Prepaid expenses	7.2	1'116'727	1'433'277
Total current assets		161'105'422	180'884'451
Non-current assets:			
Property, plant and equipment	7.4	41'180'948	39'029'309
Right-of-use assets	7.5	28'341'735	28'650'878
Intangible assets	7.6	11'443'367	12'449'208
Investment in associate	5.1	9'971'838	-
Financial assets		836'947	1'041'804
Deferred tax assets	6.7	29'911'659	26'454'701
Total non-current assets		121'686'495	107'625'900
Total assets		282'791'917	288'510'351
Liabilities and equity			
Current liabilities:			
Accounts payable trade	7.7	5'732'466	10'735'393
Accounts payable other	7.7	10'392'604	9'685'700
Income tax payables	7.7	538'576	643'968
Accrued expenses	7.7	1'207'619	1'983'534
Current financial debt and other financial liabilities	7.8	4'516'873	3'924'159
Provisions	7.9	3'268'664	3'132'168
Total current liabilities		25'656'801	30'104'922
Non-current liabilities:			
Financial debt and other non-current liabilities	7.11	22'660'263	22'504'040
Provisions	7.9	2'249'391	2'321'122
Employee benefit obligation	7.12	19'148'002	17'912'443
Deferred tax liabilities	6.7	41'541	96'213
Total non-current liabilities		44'099'198	42'833'818
Total liabilities		69'755'999	72'938'740
Shareholder's equity			
Issued share capital	7.10	2'355'629	2'350'105
Retained earnings		-43'836'194	-42'433'846
Capital Reserves		252'451'944	252'451'944
Currency translation adjustment		2'064'540	3'203'408
Total shareholder's equity		213'035'919	215'571'611
Total liabilities and equity		282'791'917	288'510'351

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

Consolidated Income Statement

(CHF)	Notes	2020	2019
Net sales	6.1	124'657'066	130'143'937
Cost of goods sold		-21'150'775	-18'877'007
Gross profit		103'506'291	111'266'930
Selling and distribution		-61'848'224	-65'906'239
Administration	6.3	-21'752'825	-23'460'076
Research and development	6.4	-16'172'671	-14'545'811
Share of results of associate		32'233	-
Operating profit		3'764'804	7'354'805
Finance income	6.6	367'292	287'692
Finance expense	6.6	-7'396'272	-4'323'450
Loss/income before taxes		-3'264'177	3'319'047
Income tax income/expense	6.7	2'320'612	-1'172'527
Net loss/income		-943'565	2'146'521
Attributable to:			
Medartis shareholders		-943'565	2'146'521
Earnings per share (CHF):			
Basic earnings per share	a)	-0.08	0.18

a) There is no dilution effect.

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

Consolidated Statement of Comprehensive Income

(CHF)	Notes	2020	2019
Net income/loss		-943'565	2'146'521
Components of other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit post-employment plans	7.12	-2'023'370	-6'134'347
Income tax relating to items that will not be reclassified to profit or loss	6.7	263'751	363'616
		-1'759'619	-5'770'731
Items that may be reclassified subsequently to profit or loss:			
Currency translation effects		-1'234'520	5'441
Share of other comprehensive income of associates accounted for using the equity method		-60'430	-
Income tax relating to items that may be reclassified subsequently to profit or loss		156'081	-
		-1'138'868	5'441
Total other comprehensive loss		-2'898'487	-5'765'290
Total comprehensive loss		-3'842'052	-3'618'769
Attributable to:			
Medartis shareholders		-3'842'052	-3'618'769

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

Consolidated Cash Flow Statement

(for the years ended 31 December 2020 and 2019)

(CHF)	Notes	2020	2019
Net income		-943'565	2'146'521
Adjustments for:			
Income tax income/expense	6.7	-2'320'612	1'172'527
Interest income	6.6	-365'291	-249'885
Interest expenses	6.6	776'714	886'730
Gain/Loss on disposal of property, plant and equipment		460'527	285'231
Depreciation and amortization of:			
Property, plant and equipment	6.5	12'901'574	11'934'231
Intangible assets	6.5	2'987'393	1'054'545
Change in provisions and pension obligations		-723'046	1'398'137
Share based compensation and other non-cash items		2'333'045	1'694'806
Changes in net working capital:			
Inventories	7.3	-2'396'718	-9'207'459
Trade and other receivables, Prepaid expenses and accrued income	7.1/7.2	5'451'289	-7'972'961
Trade and other payables	7.7	-5'071'938	4'797'713
Interest received	6.6	365'291	249'885
Income tax paid/received		-841'896	810'726
Cash flow from operating activity		12'612'767	9'000'746
Cash payments to acquire property, plant and equipment	7.4	-10'511'075	-14'971'309
Proceeds from disposals of property, plant and equipment	7.4	2'836	19'614
Cash payments to acquire intangible assets	7.6	-2'555'017	-4'453'081
Additions/Disposals to financial assets		204'857	48'559
Cash payment to acquire an investment in an associate	5.1.1	-10'000'035	-
Cash flow used for investing activities		-22'858'433	-19'356'217
Proceeds from capital increases	7.11	5'524	1'904
Repayment current financial debt	7.11	-25'454	-3'087
Repayment of lease liability	7.11	-3'935'805	-4'711'278
Interest paid on lease liability	6.6	-774'753	-838'488 ¹⁾
Interest paid	6.6	-1'961	-48'242 ¹⁾
Cash flow used for financing activities		-4'732'449	-5'599'190
Net change in cash and cash equivalents		-14'978'115	-15'954'661
Cash and cash equivalents at the beginning of the year (1 January)		99'571'993	116'262'594
Net effect of currency translation on cash and cash equivalents		-1'859'062	-735'940
Cash and cash equivalents at the end of the year (31 December)		82'734'816	99'571'993

¹⁾ To improve the presentation of the cash flow statement, cash outflows for interest paid on lease liabilities are presented under cash flow used for financing activities instead of cash flow from operating activity. The prior year comparatives have been adjusted.

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

§ Accounting policies

Cash flows from operating activities are presented using the indirect method. Operating cash flow is derived from the movements of the consolidated balance sheets between the balance sheet dates. Cash flows in currencies other than the functional currency are translated at the average exchange rates for the respective month, unless these differ significantly from the rates applicable at the transaction date.

Consolidated Statement of Changes in Equity

(for the years ended 31 December 2020 and 2019)

(CHF)	Attributable to Medartis AG shareholders				
	Share capital	Capital reserves	Currency translation difference	Retained earnings	Total shareholders' equity
1 January 2019	2'348'201	252'451'944	3'197'967	-39'765'125	218'232'987
Net profit				2'146'521	2'146'521
Other comprehensive income/(loss)			5'441	-5'770'731	-5'765'290
Total comprehensive income/(loss)			5'441	-3'624'210	-3'618'769
Capital increase	1'904	-			1'904
Share based compensation				955'489	955'489
31 December 2019	2'350'105	252'451'944	3'203'408	-42'433'846	215'571'611
Net loss				-943'565	-943'565
Other comprehensive income/(loss)			-1'138'868	-1'759'619	-2'898'487
Total comprehensive income/(loss)			-1'138'868	-2'703'184	-3'842'052
Capital increase	5'524	-			5'524
Share based compensation				1'300'835	1'300'835
31 December 2020	2'355'629	252'451'944	2'064'540	-43'836'194	213'035'919

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

Notes to the Medartis Group Consolidated Financial Statements

1. Corporate and Group information

Corporate Information

The consolidated financial statements incorporate the financial statements of Medartis Holding AG (SIX: MED), a public company domiciled and incorporated in Switzerland, and its subsidiaries (together referred to as "Medartis" or "Medartis Group" or "Group").

Medartis' principal executive offices are at Hochbergerstrasse 60E, 4057 Basel, Switzerland.

Medartis is a global medical device company focused on developing, manufacturing and selling advanced and efficient implant solutions for internal surgical fixation.

The core business of Medartis Group encompasses the sale of innovative implants in craniomaxillofacial surgery and extremities (i.e. hand, wrist, elbow, shoulder and foot). Medartis relies heavily on close collaboration with surgeons, scientists, universities and hospitals to ensure quality and innovation. Medartis' customer base consists of surgeons, hospitals, and medical centres, as well as group purchasing organizations.

The implants are delivered to the clients in pre-configured sets including the required instruments for proper fixations. The implants and instruments are packed in containers completing the set. The sets are usually customized for each customer, depending on what types of surgeries the respective customer usually requires.

Group information

Information about the subsidiaries

Company	Share capital	Investment 2020	Investment 2019
Medartis Holding AG, Switzerland (Basel)	CHF 2'350'106	100%	100%
Medartis AG, Switzerland (Basel)	CHF 1'000'000	100%	100%
Mimedis AG, Switzerland (Basel)	CHF 100'000	100%	100%
Medartis GmbH, Germany (Umkirch)	EUR 51'129	100%	100%
Medartis SL, Spain (Alcobendas Madrid)	EUR 50'000	0%	100% ¹⁾
Medartis Iberia SL, Spain (Barcelona)	EUR 3'000	100%	0% ¹⁾
Medartis S.a.r.l., France (Lyon)	EUR 15'000	100%	100%
Medartis International Trade Co., Ltd., China (Shanghai)	CNY 10'500'000	100%	100%
Medartis GmbH, Austria (Vienna)	EUR 35'000	100%	100%
Medartis Co. Ltd., Japan (Tokyo)	JPY 10'000'000	100%	100%
Medartis Ltd, UK (Derby)	GBP 3'700'000	100%	100%
Medartis do Brasil (São Paulo)	BRL 25'157'562	100%	100%
Extera Imp.&Exp. Ltda., Brasil (São Paulo)	BRL 18'000'000	100%	100%
Medartis Inc, USA (Delaware)	USD 10	100%	100%
Medartis S.A. de C.V, Mexico (Mexico)	MXN 100'000	100%	100%
Medartis Sp.z.o.o, Poland (Wroclaw)	PLN 200'000	100%	100%

Medartis Australia and New Zealand Pty Ltd, Australia (Albion)	AUD	1'203'000	100%	100%
Medartis New Zealand Ltd, New Zealand (Auckland)	NZD	1'000	100%	100%
Keri Medical SA, Switzerland (Geneva)	CHF	4'287'730	25%	0%

¹⁾ In 2020 the subsidiary company Medartis SL, Spain (Madrid) has been liquidated and the subsidiary company Medartis Iberia SL, Spain (Barcelona) has been incorporated.

There are no material structured entities.

The holding company

The ultimate parent of the Group is Medartis Holding AG. The Group has no joint arrangements in which the Group is a joint venturer.

2. Basis of preparation of the consolidated financial statements

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on an historical cost basis, except for items measured at fair value.

The consolidated financial statements are presented in Swiss franc ("CHF") as this is also the major currency in which operational activities and financing of Medartis Holding AG and Medartis AG is denominated. The Swiss franc ("CHF") is also the functional currency of Medartis Holding AG and Medartis AG.

The preparation of financial statements requires management to exercise judgment when applying accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Section 2.3 below includes further discussion of certain critical accounting estimates.

The consolidated financial statements were approved for issue by the Board of Directors on 4 March 2021 and are subject to approval by the Annual General Meeting on 23 April 2021.

§ Accounting policies

The overall accounting policies applied to the Annual Report as a whole are described below. The accounting policies related to specific transactions are embedded in the notes to which they relate.

2.2 Principles of consolidation

The consolidated financial statements of Medartis Holding AG include all entities that are controlled by the Group. The Group controls another entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Newly acquired companies are consolidated starting from the date of acquisition. The results of companies over which control is lost, are included until the date of sale or actual loss of control.

Business combinations are accounted for using the acquisition method. The assets and liabilities of newly acquired companies are measured at fair value at the time of acquisition. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Non-controlling interests are subsequently adjusted for their share in income and other comprehensive income. All intercompany transactions and balances between Group companies are eliminated in full. The individual financial statements of the Group Companies as of 31 December are prepared using uniform accounting policies.

2.3 Significant accounting policy changes, judgments and estimates

This note describes the impact on Medartis' consolidated financial statements of significant accounting judgments made when applying IFRSs and critical assumptions and accounting estimates.

Application of critical accounting policies

Revenue recognition

Medartis recognizes revenue at the amount it expects to be entitled as it satisfies promises towards its customers, regardless of when the payment is received, considering contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and carries inventory risk.

The recognition criteria described below must be met before revenue can be recognized. Further details are outlined in section 6.1 *Revenue*.

Revenue from the sale of goods is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In case of Medartis revenue is recognized according to two different types of sales:

- *Type 1*: sale of complete sets to distributors in countries where Medartis has no presence – the set is delivered to the distributor (set is in the possession of the customer, and the customer has the significant risks and rewards of ownership); control is fully transferred to the distributor upon the delivery of the set
- *Type 2*: report of use of implants following a surgery – set is physically with the customer, acceptance of the asset and transfer of risks and rewards are given when the client reports the use of implants

Revenue from the sale of goods is measured at the amount of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group does not provide extended warranties or maintenance contracts to its customers.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Impairment

For purposes of testing goodwill for impairment, goodwill is allocated to cash generating units (CGUs). Medartis defines the whole Group as a CGU as the countries exercise the exclusive distribution function of the Medartis products.

A reduction in forecast sales within management's five year forecast horizon compared with the previous year's five year forecasts cycle combined with a reduction in latest forecasts of current year sales compared with current year budget, is considered as an indicator of market related impairment and results in the performance of detailed impairment tests. Medartis also performs detailed impairment tests when there are asset specific indicators of impairment such as plans to divest products or close a subsidiary. Higher discount rates are applied for property, plant and equipment in the case of restructuring because of the higher risk associated with remaining cash flows when operations are being physically relocated. The value in use calculation takes account of cash flows from the remaining period of operations and possible decommissioning costs.

If a CGU becomes impaired, the impairment loss is allocated first to any goodwill in the CGU and then to reduce the CGU's other assets pro rata.

Current versus non-current classification

In the Group consolidated financial statements assets and liabilities are classified as current or non-current.

An **asset** is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within twelve months after the reporting period

Or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A **liability** is current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period

Or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation

The Group's consolidated financial statements are presented in Swiss franc (CHF), which is also the functional currency of Medartis Holding AG (parent). For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Consequently, the functional currency of the subsidiaries does not necessarily correspond to the functional currency of the parent. The Group uses the direct method of consolidation recognizing all resulting exchange differences in other comprehensive income and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities of entities denominated in foreign currencies are translated into parent's currency at the functional currency spot rates of exchange at the reporting date.

Items of income and cash flow statements are measured by entities at the date of transaction. For practical reasons for translation of income statement and cash flow statement the average exchange rate of the period is applied.

Differences arising on settlement or translation of monetary items are recognized in profit or loss except for intragroup loans that, in substance, form part of an entity's net investment in a foreign operation. In this case the exchange difference is recognised and accumulated in other comprehensive income (OCI) a separate component of equity until the disposal of the net investment. In case of disposal the translation cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

For foreign exchange rates, which were applied for the consolidated financial statements at 31 December 2020 and the comparative period please refer to Note 11.

Employee benefits*General*

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Pension obligations

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is disclosed in finance income and expenses.

The Group recognizes the service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the net defined benefit obligation under the following expenses (by function):

- cost of sales
- selling and distribution
- administration
- research and development

Significant accounting judgments, estimates and assumptions

For the preparation of the consolidated financial statements it is necessary to make judgments, estimates and assumptions to form the basis of presentation, recognition and measurement of Medartis assets, liabilities, items of income statements, accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying Medartis' accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognized in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are also described in the individual notes of the related financial statement line items in section 7.

Medartis Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of Medartis Group. Such changes are reflected in the assumptions when they occur.

Medartis is subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Medartis specific estimates including tax, pension liabilities or provisions are discussed in the relevant sections of the management's review and in the notes.

Significant estimates and judgments of Medartis Group include:

- **Expected credit losses (IFRS 9)** – value adjustments of receivables reflected by expected credit losses according to IFRS 9, which are recognized in the Consolidated Income Statement
- **Post-employment benefits (IAS 19)** – key assumptions for measuring defined benefit for measuring post-employment benefit expense for a period and the defined benefit obligation at the period end
- **Deferred tax assets** – the ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods. Estimates of future taxable income are subject to change due to both market related and government related uncertainties, as well as Medartis' own future decisions on restructuring and other matters.
- **Uncertain tax positions** - estimates of tax accruals that will be ultimately payable upon tax reviews
- **Provisions (IAS 37)** - The recognition and measurement of provisions such as litigation provisions requires an estimate of the expenditure and timing of the settlement. The litigations and claims to which the Group is exposed are assessed by management with the assistance of the legal department and in certain cases with the support of external specialized lawyers. Disclosures related to such provisions, as well as contingent liabilities, also require significant judgment.

Expected credit losses

For bad debts as well as the general credit risks, adequate allowances are to be determined. This ensures a fair presentation of gross receivables, i.e. according to the likelihood of their collection. By way of an allowance, actual or anticipated bad debts are taken into consideration in the current reporting period.

Trade receivables are stated at amortized cost, less expected impairment losses. The Group uses a provision matrix to calculate expected credit losses (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customers by geography. The provision matrix is initially based on the Group's historical observed default rate. The Group will calibrate the matrix to adjust the historical credit loss experience with forward looking information e.g. Health Care Sector Credit Default Swaps.

Impairment losses are recognized in the Consolidated Income Statement under "Other operating expenses".

Medartis' customer base consists of hospitals and specialists. The timing and amount of cash inflows is impacted by the number of surgeries as well as economic and political risks. The cash flows of distributors that supply Medartis' products to hospitals in countries where Medartis is not present are also impacted by these factors. For instance, state hospitals depend on solvent governments and pay a limited price based on law. Distributors supplying emerging markets are more exposed to those risks than Medartis subsidiaries operating in developed markets. Medartis monitors these risks annually and recognizes any adjustments if needed taking these factors into consideration.

Post-employment benefits

The Group has both defined contribution plans and defined benefit plans. Defined benefit plans are funded directly by the Group with no subsequent exposure related to the funding remaining with the Group.

In the case of defined contribution plans, contributions are paid to publicly or privately administered pension plans on a statutory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses.

Defined benefit plans require the Group to make contributions to individual plans, for which the ultimate benefit to the employee is based on a defined benefit, e.g., based on a final salary level, defined performance of the plan, etc. For defined benefit plans, the Group obtains actuarial valuations to determine the required defined benefit pension obligation.

The aggregate of the present value of the defined benefit obligation and the fair value of plan assets for each plan is recognized in the balance sheet as a net defined benefit liability or net defined benefit asset. The defined benefit obligation is determined at the end of each reporting period by independent actuaries using the projected unit credit method. Employee contributions are recognized in the period in which the related service is rendered. Plan assets are not available to the creditors of the Group.

Pension costs consist of three elements: service costs, net interest, and remeasurements of employee benefits.

- Service costs are part of personnel expenses and consist of current service costs, past service costs (gains/losses from plan amendments or curtailments), and gains/losses from plan settlements.
- Net interest is recorded in the financial result and is determined by applying the discount rate to the net defined benefit liability or net defined benefit asset that exists at the beginning of the year.
- Gains and losses resulting from the actuarial valuation are recorded in other comprehensive income (OCI) as remeasurements of employee benefits. The return on plan assets (excluding interest based on the discount rate) and any change in the effect of an asset ceiling are also recorded in OCI.

Significant other non-current employee benefits (mainly jubilee benefits) are also measured using the projected unit credit method, however remeasurements are recorded in the consolidated income statement.

Termination benefits are recognized on the date on which the Group can no longer withdraw the offer of this type of benefit or on which restructuring provisions are recorded.

Deferred tax assets

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which tax losses can be utilized. The amount of deferred tax assets considered realizable could however be reduced in subsequent years if estimates of future taxable income during their carry forward periods are reduced, or tax environments are changing adversely. Estimates are therefore subject to change due to both market related and government related uncertainties, as well as Medartis' own future decisions on restructuring and other matters.

In making assessments regarding deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Significant judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilized. Medartis currently recognized deferred tax assets for all jurisdictions the company is operating in. At 31 December 2020, Medartis' deferred tax assets are CHF 29.9 million (2019: CHF 26.5 million). Included in this balance are CHF 1.5 million (2019: CHF 1.1 million) tax loss carry forwards. Further details are provided in Note 6.7.

Uncertain tax positions

Medartis Group's operations are international. Intellectual property rights are used within each subsidiary. This set up exposes Medartis' transfer prices for the delivery of goods, arrangements to share research and development costs and charges for shared services to challenges by national tax authorities in any of the countries in which Medartis has operations. Different interpretations of taxation rules regarding financing arrangements can also lead to uncertain tax positions. This applies also to the withholding tax applied for distributions out of retained earnings.

Medartis therefore estimates and accrues taxes that will be ultimately payable upon tax reviews. These estimates are the result of management judgment about potential outcome of such reviews. Actual outcomes might differ from management's expectations which in turn affects the income tax expense in future reporting periods.

2.4 Changes in accounting policies and disclosures

The following new or revised standards and interpretations of the International Accounting Standards Board (IASB), relevant to the Group, were applied for the financial year ending 31 December 2020:

Title	Status	Issue date of original standard	Effective date (annual periods beginning on or after)
Amendments to References to the Conceptual Framework in IFRS Standards	Mandatory	March 2018	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	Mandatory	October 2018	1 January 2020
Amendments to IFRS 3 – Definition of a Business	Mandatory	October 2018	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	Mandatory	September 2019	1 January 2020
Amendment to IFRS 16 – Covid-19-Related Rent Concessions	May adopt early	May 2020	1 June 2020

The adoption of these amended standards on 1 January 2020 did not have a significant impact on our consolidated financial statements and is not expected to have a significant impact in future periods.

2.5 Issued standards not yet adopted

		Effective for annual periods on or after	Planned adoption by Medartis
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023	Financial Year 2023
IFRS 3	Reference to the Conceptual Framework	1 January 2022	Financial Year 2022
IAS 16	Proceeds before Intended Use	1 January 2022	Financial Year 2022
IAS 37	Cost of Fulfilling a Contract	1 January 2022	Financial Year 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021	Financial Year 2021
Annual Improvements to IFRS Standards 2018-2020		1 January 2022	Financial Year 2022

None of the not yet adopted standards or amendments is expected to have a significant impact on the Group financial statements.

3. Financial Instruments risk management objectives and policies

The nature of Medartis' business and its global presence exposes the Group to market risks, credit risks and liquidity risks. The Board of Directors is responsible for overseeing the Group's internal control system, which addresses risks to which the Group is exposed. These systems provide appropriate security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the respective country.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risks consist primarily of foreign currency risks and, to a lesser degree, interest rate risks. Medartis is not exposed to significant price risks. Main currency exposures are the US Dollar, Australian Dollar and the Euro, which are not hedged.

The following table demonstrates the impact of reasonably possible currency rate changes on the Group's profit before tax and the Group's, with all other variables held constant. The sensitivity analysis considers major foreign currency risk exposures.

(CHF) million		2020	
Currency	Increase/Decrease (in%)	Effect on profit before tax	Effect on equity
AUD/CHF	10	-2.6	2.9
EUR/CHF	10	-0.5	0.4
USD/CHF	10	-2.5	2.2
AUD/CHF	-10	2.6	-2.9
EUR/CHF	-10	0.5	-0.4
USD/CHF	-10	2.5	-2.2

(CHF) million		2019	
Currency	Increase/Decrease (in%)	Effect on profit before tax	Effect on equity
AUD/CHF	10	-2.8	3.1
EUR/CHF	10	-0.1	0.4
USD/CHF	10	-3.1	2.4
AUD/CHF	-10	2.8	-3.1
EUR/CHF	-10	0.1	-0.4
USD/CHF	-10	3.1	-2.4

Foreign currency translation risk

Translation exposure arises from the consolidation of foreign currency denominated financial statements of Medartis' subsidiaries. This is reported as currency translation effects in OCI. Translation risk can be significant; however, Medartis regards its equity base to be of sufficient magnitude generally to absorb the short to medium term impact of exchange rate movements. Medartis can use foreign currency denominated debt to manage this exposure. Currency translation risks are not hedged.

Credit risk

Credit risk management is subject to the established policies, procedures and controls relating to customers. Credit quality of customers is assessed based on an extensive credit rating scorecard and individual credit limits. Outstanding customer receivables are regularly monitored and, if necessary, impaired on an individual basis. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets disclosed in Note 3.1. The Group does not hold collateral as security. Medartis evaluates the concentration of credit risk with respect to trade receivables as low, as its customers operate in largely independent markets.

Interest rate risks

Interest rate risks arise from changes in interest rates, which have negative repercussions on the Group's asset and earnings situation. Interest rate fluctuations lead to changes in interest income and interest expense on interest-bearing assets and liabilities. Due to the low level of external financing the interest rate risk is immaterial at 31 December 2020 and 2019.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. Medartis defines Liquidity risk, a risk of being unable to raise funds to meet payment obligations when they fall due. The main policy is to maintain sufficient liquidity reserves in order to meet payment obligations and maintain an adequate liquidity margin.

(CHF)	Carrying amount 31.12.2020	Total	Cash outflows		
			Up to 1 year	1 to 5 years	More than 5 years
Accounts payable trade	5'732'466	5'732'466	5'732'466		
Accounts payable other	637'422	637'422	637'422		
Accrued expenses	1'207'619	1'207'619	1'207'619		
Lease liability	27'171'453	27'171'453	4'516'873	18'350'753	4'303'827
Financial debt and other non-current liabilities	5'683	5'683		5'683	
Total	34'754'642	34'754'642	12'094'379	18'356'437	4'303'827
Interest on lease liability			742'742	1'724'192	263'510

(CHF)	Carrying amount 31.12.2019	Total	Cash outflows		
			Up to 1 year	1 to 5 years	More than 5 years
Accounts payable trade	10'735'393	10'735'393	10'735'393		
Accounts payable other	556'856	556'856	556'856		
Accrued expenses	1'983'534	1'983'534	1'983'534		
Lease liability	26'397'062	26'397'062	3'924'159	15'192'358	7'280'545
Financial debt and other non-current liabilities	31'137	31'137		31'137	
Total	39'703'983	39'703'983	17'199'943	15'223'495	7'280'545
Interest on lease liability			728'837	2'152'595	263'565

Capital Management

The primary objective of Medartis capital management is to maintain healthy capital ratios to support its business and maximize the shareholder value. As capital management is defined issued capital, share premium and other equity reserves.

According to changes in economic conditions, Medartis manages its capital structure and implements adjustments. Medartis supervises capital using equity ratio.

(CHF)	31.12.2020	31.12.2019
Total assets	282'791'917	288'510'351
Equity	213'035'919	215'571'611
Equity ratio	75%	75%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

3.1 Fair value measurement (IFRS 13)

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.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

At each reporting date, the responsible management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the responsible management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The responsible management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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 31 December 2020 and 2019. The fair value hierarchy level is shown for those financial assets and liabilities that are carried at fair value in the balance sheet.

31 December 2020	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial Assets					
Cash & Cash equivalents	82'734'816				82'734'816 ¹⁾
Accounts receivable trade	24'189'296				24'189'296 ¹⁾
Other non-current financial assets	836'947				836'947 ¹⁾
Total	107'761'058				107'761'058
Financial liabilities					
Accounts payable trade	5'732'466				5'732'466 ¹⁾
Accounts payable other	637'422				637'422 ¹⁾
Accrued expenses	1'207'619				1'207'619 ¹⁾
Current financial debt	4'516'873				4'516'873 ¹⁾
Non-current financial debt	22'660'263				22'660'263 ¹⁾
Total	34'754'642				34'754'642

31 December 2019	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial Assets					
Cash & Cash equivalents	99'571'993				99'571'993 ¹⁾
Accounts receivable trade	26'385'413				26'385'413 ¹⁾
Other non-current financial assets	1'041'804				1'041'804 ¹⁾
Total	126'999'210				126'999'210
Financial liabilities					
Accounts payable trade	10'735'393				10'735'393 ¹⁾
Accounts payable other	556'856				556'856 ¹⁾
Accrued expenses	1'983'534				1'983'534 ¹⁾
Current financial debt	3'924'159				3'924'159 ¹⁾
Non-current financial debt	22'504'040				22'504'040 ¹⁾
Total	39'703'983				39'703'983

¹⁾ Carrying amount approximates the estimated fair value due to the short- term nature of the financial instruments.

4. Segmental breakdown of key figures for the years ended 31 December 2020 and 2019

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.

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 stand-alone 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.

2020 (CHF)	EMEA	APAC	LATAM	North America	Total
Net sales	68'242'089	25'414'874	9'707'626	21'292'478	124'657'066
Non-current assets ¹⁾	80'185'929	4'092'677	4'498'295	2'221'417	90'998'318

2019 (CHF)	EMEA	APAC	LATAM	North America	Total
Net sales	70'352'972	23'702'910	14'426'510	21'661'546	130'143'937
Non-current assets ¹⁾	67'946'632	3'632'224	6'079'847	2'470'693	80'129'395

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

(CHF)	2020	2019
Upper Extremities	89'224'109	92'632'321
Lower Extremities	18'802'201	18'321'416
CMF and Others	16'630'756	19'190'201
Total	124'657'066	130'143'937

5. Significant transactions and events

5.1 Business combinations, acquisition of investment in associate and divestments

5.1.1 Keri Medical SA

On 30 November 2020, Medartis AG invested CHF 10 million in Keri Medical SA, a company specialized in implants for hand and wrist surgery based in Geneva, Switzerland. The Group has an interest of 25% in the entity. It is a private entity that is not listed on any public exchange. Management has assessed the level of influence that the Group has on Keri Medical SA and determined that it has significant influence and therefore applies the equity method of accounting for associated companies.

The tables below provide summarized financial information Keri Medical SA. The information disclosed reflects the amounts presented in the financial statements of the company, and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

(CHF)	2020
Current assets	16'298'427
Non-current assets	12'807'206
Current liabilities	-11'014'569
Non-current liabilities	-2'605'626
Net assets	15'485'437

Reconciliation to carrying amount

Opening net assets 1 December 2020	15'598'224
Result for December 2020	128'931
Other comprehensive income	-241'718
Closing net assets at 31 December	15'485'437
Group's share in %	25.0
Group's share in CHF	3'871'359
Goodwill	6'100'479
Carrying amount	9'971'838

Summarized comprehensive income statements of Keri Medical SA for the period, where the Group has significant influence:

(CHF)	2020
Revenue	452'533
Result from continuing operations	128'931
Profit for the period	128'931
Other comprehensive income	-241'718
Total comprehensive income	-112'787
Group's share of profit for the period	32'233
Group's share of OCI for the period	-60'430

During the reporting period 2019 no acquisitions, divestments or other significant transactions took place.

§ Accounting policies

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Associates are those entities over which the Group has significant influence, but neither control nor joint control. Significant influence is the power to participate in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of changes in equity of the investee after the date of acquisition. The Group's share of results of operations is recognized in profit or loss, while any change in other comprehensive income of the associates is presented as part of the Group's other comprehensive income.

For entities over which the Group has joint control together with one or more partners (joint arrangements), the Group assesses whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For joint ventures, the equity method is applied.

5.2 Related party disclosures

Information about Medartis Group, including details of the subsidiaries and holding Company are provided in Note 1.

For detailed information relating to related parties please refer to Note 9.

5.3 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 of 31 December 2020.

6. Detailed Information on consolidated income statement and OCI items

This section provides additional information about individual line items in the income statement and statement of comprehensive income, including its relevant accounting policies, other income and expenses by type.

6.1 Revenue

Revenue from contracts with customers by product category for the years ended 31 December 2020, and 2019 are as follows:

(CHF)	2020	2019
Net proceeds of deliveries of implants	124'387'114	129'744'681
Net proceeds of services	269'952	399'257
Total revenue	124'657'066	130'143'937

§ Accounting Policy

Medartis offers the following two different types of contracts:

Contract Type 1: Sale of complete sets to distributors:

Medartis sells sets to distributors in countries where Medartis has no own presence; single parts of the sets recognized in inventory are composed to the required set upon customer order and shipped to the customer upon completion. The performance obligation is to deliver completed sets, revenue is recognized at a point in time when control transfers to the customer. Medartis generally provides an assurance type warranty for up to one year.

Contract Type 2: Sale of implants based on reported use:

Sets are located at the customer site (i.e., in hospitals) but remain legal property of Medartis Group. During a surgery, implants are consumed from the sets, the set is subsequently returned, cleaned and shipped back to the customer. Medartis' performance is sale of implants, which are invoiced following the use of the implant at a point in time.

Performance obligation

The resulting performance obligations for the two contract types are the following:

Contract Type 1: Sale of complete sets to distributors

One Set (one package including implants, tools and container) corresponds to one performance obligation; pricing and billing refers to the complete sets. The set does not include significant service or integration of the service with other goods and no other promises are implied by customary business practices.

Contract Type 2: Sale of implants based on reported use

Regardless of the set type, pricing and billing refers to the implants. Tools and containers are not charged separately and remain property of Medartis. Consequently, tools and containers are no integral part of the sold good. The consumable i.e., the implant, constitutes the performance obligation.

Medartis charges a so-called "handling-charge" for "Springer sets" in addition to the use of the plates. A client ordering a "Springer set" benefits from the availability of the set regardless of whether he actually uses an implant; at least he can offer patients the potential treatment. As the handling charge is directly connected to the "Springer sets" itself, it is not classified as an additional obligation.

Variable components of the transaction price are generally negligible: Medartis identified for both type of contracts one performance obligation only.

Transaction price

Transaction price may comprise fixed and variable components. Sets are however, in most transactions sold at pre-defined, fixed prices, often based on regulated prices.

Tools and containers are not charged separately as control is not transferred to the customer eventually.

Recognise revenue

Revenue is recognised as soon as the performance obligation is satisfied by transferring the promised goods or services to the customer. Goods or services are transferred when the customer obtains control over the promised goods or services.

Sale of sets to distributors is billed upon transfer of control with average payment terms of 60 days. Billed amounts are included in accounts receivables, trade. The use of implants is noted shortly after the surgery and billed immediately. Average payment terms are 60 days. As a result of short turnaround time, no contract asset is recorded.

6.2 Personnel expenses

Personnel expense for the years ended 31 December 2020 and 2019 are as follows:

(CHF)	2020	2019
Wages and salaries	-47'825'303	-49'654'337 ¹⁾
Pensions	-3'469'980	-397'903 ²⁾
Share-based payments	-1'306'358	-1'053'993
Bonus payments	-3'954'052	-2'603'258
Social security costs	-8'480'946	-7'711'043
Other personnel costs	-1'607'731	-1'775'056
Total personnel costs	-66'644'370	-63'195'591

Personnel costs have been recognized in the consolidated income statement:

Cost of goods sold	-6'457'701	-6'734'492
Selling and distribution	-39'888'905	-39'723'322
Administration	-10'490'248	-8'656'682
Research and development	-9'807'516	-8'081'095
Total personnel costs	-66'644'370	-63'195'591

Average number of employees during the year	604	574
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¹⁾ In 2020 relating to COVID-19 Medartis Group has received short-term work benefits in the amount of CHF 2.4 million which are presented as a deduction of wages and salaries.

²⁾ Pensions expenses in 2019 were reduced by negative past service cost of CHF 3.4 million resulting from a plan amendment.

§ Accounting policies

Wages and salaries, social security contributions, leave and sick leave, bonuses and non-monetary benefits are recognized in the financial year in which the services are rendered by employees of Medartis. Whenever Medartis provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees.

6.3 Administrative expenses

Administrative expenses for the years ended 31 December 2020 and 2019 are as follows:

(CHF)	2020	2019
General administration	-4'403'222	-4'502'199
Human Resources administration	-2'302'114	-2'085'392
Financial and IT administration	-4'303'946	-3'171'767
Building administration	-2'520'773	-2'680'144
Management administration	-6'058'139	-5'402'559
Subsidiary administration	-2'164'630	-5'618'014
Total administrative expenses	-21'752'825	-23'460'076

Administration expenses include share-based payments expenses amounting to CHF 1.2 million in 2020 (2019: CHF 0.8 million). Refer to Note 8.

6.4 Research and development costs

Medartis' development activities include costs relating to the design and testing of new product lines. Research and development costs that are not eligible for capitalization have been expensed in the period incurred (in 2020, this was CHF 16.2 million (2019: CHF 14.5 million), and they are recognized in research and development expenses.

(CHF)	2020	2019
Research and development		
General	-6'607'029	-4'721'611
Testing	-979'559	-811'531
Prototype	-3'123'161	-2'887'923
Quality	-3'401'950	-2'967'131
IBRA (International Bone Research Association)	-2'060'973	-3'157'615
Total Research and development costs	-16'172'671	-14'545'811

6.5 Depreciation and amortization included in the consolidated statement of profit or loss

Depreciation and amortization at 31 December 2020 and 2019 are as follows:

(CHF)	2020	2019
Depreciation of property, plant and equipment and right-of-use asset		
Cost of goods sold	-3'251'294	-2'992'416
Selling and distribution	-5'366'801	-5'019'801
Administrative expenses	-3'347'184	-3'272'453
Research and development	-936'295	-649'561
Total depreciation and impairment losses	-12'901'574	-11'934'231

(CHF)	2020	2019
Amortisation of intangible assets		
Cost of goods sold	-31'957	-30'859
Selling and distribution	-1'400'703	-294'649
Administrative expenses	-554'920	-506'503
Research and development	-999'814	-222'534
Total amortisation and impairment losses	-2'987'393	-1'054'545

6.6 Net Finance income and costs

(CHF)	2020	2019
Finance income from loans and receivables measured at amortized cost:		
Interest income, bank	193'318	197'292
Interest income, loans and receivables	171'973	52'594
Other finance income	2'000	37'807
Total finance income	367'292	287'692

(CHF)	2020	2019
Finance costs from financial liabilities measured at amortized cost:		
Foreign exchange losses	-5'391'442	-2'358'463
Interest on loans and borrowings	-1'961	-48'242
Interest on lease debt	-774'753	-838'488
Other finance costs	-1'228'116	-1'078'257
Total finance expense	-7'396'272	-4'323'450

§ Accounting policies

Finance income and costs comprise interest income and expenses, realized and unrealized gains and losses on payables/ receivables and transactions in foreign currencies.

For all financial instruments measured at amortized cost, interest income or expense is recognized using the effective interest rate method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

6.7 Income taxes

(CHF)	2020	2019
Income taxes from current period	-882'380	-1'845'927
Income taxes from other periods	-399	142'212
Deferred taxes	3'203'391	531'189
Total income tax income/expense	2'320'612	-1'172'527
Effective income tax rate (in %)	-71%	35%

The signs have been adjusted to match the consolidated income statement for better transparency.

The following elements explain the difference between the income tax expense at the domestic tax rate of Medartis Holding AG and the effective Group income tax expense:

(CHF)	2020	2019
Loss/profit before tax	-3'264'177	3'319'047
Applicable Group tax rate	13.04%	13.04%
Income tax at the applicable Group tax rate	425'649	-432'804
Higher or lower tax rate of subsidiaries in other jurisdiction	3'060'391	2'280'961
Non-deductible expenses	-594'849	-1'360'078
Additional tax deductions	1'137'221	433'298 ¹⁾
Effect of changes in tax rates or imposition of new taxes	195'721	-293'260
Prior year adjustments	-399	142'212
Prior year adjustments deferred tax	-52'491	-100'628
Not recognized tax losses / deferred taxes in current year	-1'074'688	-789'258
Write-off of deferred tax assets	-737'370	-840'469 ²⁾
Other	-38'572	-212'500
Effective income tax income/expense	2'320'612	-1'172'527

The signs have been adjusted to match the consolidated income statement for better transparency.

¹⁾ The position relates to tax-deductible impairments in the statutory financial statements of Group entities based in Switzerland.

²⁾ The write-off of deferred tax assets on intercompany profits increased the tax charge by CHF 0.7 million.

(CHF)	2020	2019
At 1 January	10'325'767	9'299'767
Currency translation adjustments	-1'709'899	-131'480
Tax losses and credits arising from current year	9'935'340	3'688'050
Tax losses and credits utilized against current year profits	-680'267	-2'530'570
Total available tax loss carry forwards and tax credits	17'870'942	10'325'767

Deferred tax assets have not been recognized in respect of tax losses of CHF 9.9 million (2019 CHF 4.8 million) as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. There is no expiry date on the concerned tax losses.

Deferred income taxes

The movement in deferred income tax assets and liabilities is as follows:

2020

(CHF)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forward, tax credits	Other	Total
Deferred tax assets at 1 January	101'104	-	23'665'054	1'120'276	6'585'372	31'471'806
Deferred tax liabilities at 1 January	-4'571'674	-364'838	-	-	-176'805	-5'113'317
Net deferred tax balance at 1 January	-4'470'570	-364'838	23'665'054	1'120'276	6'408'566	26'358'488
(Charged) / credited to income statement	838'989	324'321	2'338'449	293'053	-591'421	3'203'391
Charged to statement of comprehensive income	-	-	-	156'081	263'751	419'833
Currency translation adjustments	52'932	-	-318	-62'378	-101'831	-111'594
Net deferred tax balance at 31 December	-3'578'649	-40'516	26'003'185	1'507'032	5'979'066	29'870'118
Deferred tax assets at 31 December	198'690	-	27'294'101	1'507'032	5'979'066	34'978'889
Deferred tax assets after netting at 31 December	-	-	-	-	-	29'911'660
Deferred tax liabilities at 31 December	-3'777'338	-40'516	-1'290'916	-	-	-5'108'771
Deferred tax liabilities after netting at 31 December	-	-	-	-	-	-41'541

2019

(CHF)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forward, tax credits	Other	Total
Deferred tax assets at 1 January	216'553	-	21'915'198	2'122'631	3'374'982	27'629'364
Deferred tax liabilities at 1 January	-1'538'316	-510'579	-	-	-9'526	-2'058'421
Net deferred tax balance at 1 January	-1'321'764	-510'579	21'915'198	2'122'631	3'365'457	25'570'942
(Charged) / credited to income statement	-3'152'427	145'742	1'751'531	-948'387	2'734'730	531'189
Charged to statement of comprehensive income	-	-	-	-	363'616	363'616
Currency translation adjustments	3'621	-	-1'675	-53'968	-55'237	-107'259
Net deferred tax balance at 31 December	-4'470'570	-364'838	23'665'054	1'120'276	6'408'566	26'358'488
Deferred tax assets at 31 December	101'104	-	23'665'054	1'120'276	6'585'372	31'471'806
Deferred tax assets after netting at 31 December	-	-	-	-	-	26'454'701
Deferred tax liabilities at 31 December	-4'571'674	-364'838	-	-	-176'805	-5'113'317
Deferred tax liabilities after netting at 31 December	-	-	-	-	-	-96'213

At 31 December 2020, there was no recognized deferred tax liability (2019: CHF 0) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group does not expect any distribution of retained earnings to the parent Company within the next twelve months.

§ Accounting policies

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or payable to the respective tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance-sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences and carry-forwards of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available. Deductible temporary differences, carry-forwards of unused tax credits and unused tax losses can be offset against taxable profit except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax positions associated with investments in subsidiaries are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which they can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year the asset is realized or the liability settled, based on tax rates (and tax laws) enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if the Medartis Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same tax authority.

6.8 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to registered shareholders of Medartis by the weighted average number of ordinary shares outstanding during the year.

As Medartis has no grants or grants of options over Medartis shares under employee share participation plans no diluted earnings per share amounts exists. Therefore weighted average number of shares and weighted average number of shares – diluted are the same.

(CHF, except number of shares)	2020	2019
Net income attributable to shareholders	-943'565	2'146'521
Weighted average number of shares - basic	11'768'942	11'741'372
Basic earnings per share	-0.08	0.18

§ Accounting policies

Proposed dividends are recognized as a liability at the date of their adoption at the annual General meeting (declaration date). Extraordinary dividends are recognized as a liability at the declaration date.

7. Detailed information on statement of financial position items

7.1 Accounts receivable trade and other

Trade accounts receivables and other accounts receivable at 31 December 2020 and 2019 are as follows:

(CHF)	2020	2019
Accounts receivable trade	24'189'296	26'385'413
Accounts receivable other, thereof:		
Prepaid machinery	106'009	2'020'331
Salary prepayments	154'518	213'974
Other	2'722'334	3'687'179
Total accounts receivable other	2'982'861	5'921'483

Movements in the provision for doubtful trade receivables are as follows:

(CHF)	2020	2019
1 January	-806'725	-618'092
Additional provision created	-214'970	-188'633
31 December	-1'021'695	-806'725

The ageing of trade receivables at 31 December 2020 and 2019 past due, are as follows:

2020 (CHF)	Not past due	Total past due	6 months	1 year	2 years	3 years	more than 3 years
Trade receivables, gross	16'183'940	9'027'051	6'181'329	1'314'827	923'710	304'350	302'835
Expected credit loss	-113'378	-908'317	-65'607	-102'336	-155'509	-289'279	-295'587

2019 (CHF)	Not past due	Total past due	6 months	1 year	2 years	3 years	more than 3 years
Trade receivables, gross	18'377'991	8'814'145	6'365'285	1'243'015	761'775	137'627	306'444
Expected credit loss	-31'313	-775'411	-22'526	-21'152	-350'633	-74'656	-306'444

§ Accounting policies

According to IFRS 9, trade receivables are recognized at transaction cost in accordance with IFRS 15 and are classified and measured at amortised cost. The measurement bases are contractual terms, payment history and other sales evidence. Adjustments for doubtful receivables are only allowed to the extent losses are expected in the future or individually determinable. Any losses caused by impairment of receivables are booked in income statements. Medartis books an adjustment, when they have information that a customer is insolvent. For the accounting treatment the simplified approach to determine expected lifetimes losses is applied. The expected credit losses above also incorporate forward looking information.

7.2 Prepaid expenses

§ Accounting policies

Prepayment made is an asset for which an entity expects to receive goods or services in exchange in the future. Prepayments are measured at nominal amount.

7.3 Inventories

(CHF)	2020	2019
Goods for sale	19'945'821	19'825'424
Sets	21'800'076	19'850'128
Raw materials	705'043	1'054'104
Semi-finished products	5'059'008	3'621'810
Packaging	37'458	37'458
Work in progress	1'580'417	2'599'937
Goods in transit	428'743	170'987
Total¹⁾	49'556'566	47'159'848

¹⁾ Including write-downs

(CHF)	2020	2019
write-down Goods for sale	-697'739	-473'752
write-down Sets	-3'807'412	-3'532'107
write down Raw materials	-198'720	-185'343
Total write-downs	-4'703'871	-4'191'202

§ Accounting policies

Inventories are calculated at the lower of initial cost and net realisable value. The cost of inventories shall comprise all costs of purchase (based on first-in, first-out method), costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

7.4 Property, plant and equipment

Reconciliation of beginning and ending balance by classes of assets:

CHF	Machinery	Furniture	Hardware	Vehicles	Sets	Leasehold improvements	Other	Total
Cost or valuation								
At 1 January 2019	30'427'899	3'549'382	4'268'979	1'349'565	29'045'597	23'869'201	487'194	92'997'816
Additions	3'132'636	600'437	634'488	525'915	4'305'154	5'703'171	69'508	14'971'309
Disposals	-31'591	-25'104	-145'846	-98'741	-294'369	-36'851	0	-632'502
Transfer to ROA due to IFRS 16 adoption	-11'056'274							-11'056'274
Currency translation effects and other	80'596	67'250	115'088	26'458	739'450	4'158	-8'884	1'024'115
At 31 December 2019	22'553'266	4'191'965	4'872'708	1'803'198	33'795'832	29'539'679	547'817	97'304'465
Additions	2'620'092	390'629	725'354	197'285	4'973'207	1'561'919	42'589	10'511'075
Disposals	-7'322	-21'879	-134'691	-117'636	-67'800	-1'505	0	-350'834
Currency translation effects and other	-148'224	-106'318	-154'543	-72'567	-878'372	-22'529	-5'949	-1'388'502
At 31 December 2020	25'017'812	4'454'396	5'308'828	1'810'279	37'822'867	31'077'564	584'457	106'076'204
Depreciation and impairment losses								
At 1 January 2019	-18'784'431	-2'634'029	-2'834'300	-738'071	-20'331'826	-10'319'501	-313'204	-55'955'362
Depreciation charge	-995'840	-201'134	-559'969	-383'954	-3'557'660	-1'223'905	-47'296	-6'969'758
Depreciation on disposals	30'385	25'084	130'274	93'457	56'786	35'476	0	371'461
Transfer to ROA due to IFRS 16 adoption	5'001'731							5'001'731
Currency translation effects and other	-44'832	-21'071	-130'367	-36'602	-518'203	21'755	6'093	-723'227
At 31 December 2019	-14'792'987	-2'831'151	-3'394'361	-1'065'171	-24'350'903	-11'486'175	-354'408	-58'275'156
Depreciation charge	-1'302'165	-255'340	-699'539	-415'955	-3'715'004	-1'368'868	-40'952	-7'797'822
Depreciation on disposals	1'002	14'824	133'225	116'513	45'535	720	0	311'818
Currency translation effects and other	11'784	62'607	67'329	43'199	668'205	9'109	3'672	865'906
At 31 December 2020	-16'082'366	-3'009'060	-3'893'346	-1'321'414	-27'352'167	-12'845'214	-391'687	-64'895'255
Net book value - 1 January 2019	11'643'468	915'353	1'434'679	611'494	8'713'771	13'549'700	173'990	37'042'454
Net book value - 31 December 2019	7'760'279	1'360'814	1'478'347	738'027	9'444'929	18'053'504	193'409	39'029'309
Net book value - 31 December 2020	8'935'445	1'445'336	1'415'482	488'865	10'470'700	18'232'349	192'770	41'180'948

§ Accounting policies

Property plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Cost for repair and maintenance are recognized in profit or loss as incurred.

Each item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated over its useful life. Medartis recognizes the depreciation charge in profit or loss unless it is included in the carrying amount of another asset. At least annually, the Group reviews depreciation method, useful life on an asset and residual value, and if appropriate adjusts prospectively.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset class	Depreciation method	Useful life
Tools	Straight-line	5 years
Containers	Straight-line	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

7.5 Leases

(CHF)

Right-of-use assets (ROA)	Office property	Machinery	Vehicles	Total
01 January 2019	26'145'311	6'054'543	518'407	32'718'262
Additions	175'741	-	572'045	747'787
Depreciation expense	-3'263'238	-1'322'398	-378'837	-4'964'473
Currency translation effects	147'051	-	2'251	149'302
31 December 2019	23'204'866	4'732'145	713'867	28'650'878
Additions	812'185	3'573'429	324'582	4'710'196
Depreciation expense	-3'332'797	-1'359'621	-411'334	-5'103'752
Currency translation effects	79'000	-	5'413	84'413
31 December 2020	20'763'254	6'945'953	632'528	28'341'735

The amounts recognised in the Consolidated Income Statement are as follows:

(CHF)

Profit or loss	2020	2019
Depreciation ROA	-5'103'752	-4'964'473
Interest expense lease liabilities	-774'753	-838'488
Expense: short-term leases	-558'818	-490'855
Variable lease payments	46'559	-94'411

The Group recognized a total cash outflow for leases of CHF 4.7 million in 2020 (2019: CHF 5.5 million). The maturity analysis of lease liabilities is disclosed in Note 3.

§ Accounting policies for lessees

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (3-8 years). Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below CHF 5'000). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

7.6 Intangible assets

Reconciliation of beginning and ending balances by classes of assets:

(CHF)	Goodwill	Research & Development	Customer Base	Software	Other	Total
Cost						
At 1 January 2019	3'299'703	2'162'780	4'444'512	6'241'726	216'195	16'364'915
Additions	-	2'505'719	-	1'947'362	-	4'453'081
Retirement and disposals	-	-	-	-	-45'817	-45'817
Currency translation effects	-106'121	-	-	-6'550	11'004	-101'667
At 31 December 2019	3'193'582	4'668'499	4'444'512	8'182'538	181'381	20'670'512
Additions	-	1'479'897	-	1'075'120	-	2'555'017
Retirement and disposals	-	-	-	-	-91'302	-91'302
Currency translation effects	-581'569	-	-	70'571	21'620	-489'378
At 31 December 2020	2'612'013	6'148'396	4'444'512	9'328'229	111'699	22'644'848

Amortisation and impairment

At 1 January 2019	-	-	-2'868'941	-4'294'566	-	-7'163'507
Amortization charge	-	-	-236'336	-818'209	-	-1'054'545
Currency translation effects	-	-	-	-3'252	-	-3'252
At 31 December 2019	-	-	-3'105'277	-5'116'027	-	-8'221'304
Amortization charge	-	-152'833	-236'336	-870'199	-	-1'259'367
Impairment losses	-	-625'126	-1'102'900	-	-	-1'728'026
Currency translation effects	-	-	-	7'216	-	7'216
At 31 December 2020	-	-777'959	-4'444'512	-5'979'010	-	-11'201'482

Net book value

At 1 January 2019	3'299'703	2'162'780	1'575'571	1'947'160	216'195	9'201'408
At 31 December 2019	3'193'582	4'668'499	1'339'235	3'066'511	181'381	12'449'208
At 31 December 2020	2'612'013	5'370'437	0	3'349'218	111'699	11'443'367

The goodwill of CHF 2.6 million (2019: CHF 3.2 million) originated from the acquisitions of Extera and Mimedis in 2017 and was allocated at the date of acquisition to the group of CGUs which corresponds the segment Medartis Group. The Group performed the annual impairment test in December 2020.

The recoverable amount of Medartis Group has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rate applied to cash flow projections is 7.6% (2019: 8.2%) and cash flows beyond the five-year period are extrapolated using a 4% growth rate (2019: 4%). The growth rate does not exceed the long-term average growth rate for the medical technology sector. The gross profit margin applied was 84% (2019: 84%).

Based on the impairment test conducted, no impairment on goodwill was recognized during the periods under review.

The customer base of CHF 4.4 million originated from the acquisition of Extera in August 2017. Following the assessment of internal and external impairment indicators an impairment of CHF 1.1 million was recognized. The impairment is caused by a reassessment of future sales growth in Brazil.

In 2020 one R&D project in the amount of CHF 0.6 million was impaired.

§ Accounting policies

Intangible assets are initially recognized at cost, subsequently amortized over their useful lives less required impairments. Intangible assets with finite useful lives are tested for impairment when there is a triggering event that indicates the need for an impairment. Intangible assets with indefinite useful life (including goodwill) are tested on an annual basis.

Research and development costs

Research and development costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditures as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of 4-5 years. Amortisation is recorded in cost of goods sold. During the development period, the asset is tested for impairment annually.

As of 31 December 2020 R&D projects amounting to CHF net 0.9 million were capitalized (2019: 2.5 million).

7.7 Accounts payable trade and other

The contractual maturities of accounts payable trade and accounts payable other at 31 December 2020 and 2019 are as follows:

(CHF)	2020	2019
Accounts payable trade	5'732'466	10'735'393
Salary and social security	465'890	591'869
Deferred compensation	665'209	942'062
Unused vacation	2'381'001	2'292'505
Bonus payments	3'406'120	3'039'142
Sales commission	637'422	556'856
VAT and other non-income taxes	1'813'014	1'510'774
Other	1'023'948	752'491
Accounts payable other	10'392'604	9'685'700
Income tax payables	538'576	643'968
Accrued expenses	1'207'619	1'983'534

Payables for sales commission and to related parties qualify as financial instruments. This amounts to CHF 0.6 million (2019: CHF 0.6 million).

§ Accounting policies

Accounts payable trade result from sourcing of goods or services from suppliers and other vendors. They do not include other payables relating to social securities, VAT, etc.

Trade payable are recognized at the trade date when goods or services and the invoice is received and are usually recorded at nominal value which approximates fair value. Invoices in foreign currency are translated to the functional currency of entity at the transaction date. After initial recognition trade accounts payables are carried at amortized cost.

Trade payables in foreign currency are re-valued at each balance sheet date on a monthly basis at the respective spot rate. Foreign exchange gains or losses are included in the unrealized foreign exchange effects in the income statement unless the amount is settled. The final foreign exchange effect after settlement is recorded in the realized foreign exchange effects in the income statement.

7.8 Current financial debt and other financial liabilities

Current financial debt at 31 December 2020 and 2019 is as follows:

(CHF)	2020	2019
Lease liabilities, current	-4'516'873	-3'924'159
Total current financial debt	-4'516'873	-3'924'159

§ Accounting policies

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not measured at fair value through profit or loss, net of directly attributable transaction costs.

The subsequent measurement depends on classification of financial liabilities.

Financial liabilities in foreign currency are remeasured at each balance sheet date at the respective spot rate. Foreign exchange gains or losses are included in the unrealized foreign exchange effects in the income statement unless the amount is settled. The final foreign exchange effect after settlement is recorded in the realized foreign exchange effects in the income statement.

7.9 Provisions

Provisions at 31 December 2020 and 2019 are as follows:

The timing of payment in respect of non-current provisions is, with few exceptions, not contractually determined and requires judgment.

Category "Legal provisions" includes the provision related to the investigations in Brazil. For further details please refer to Note 10.2

Category "Other provisions" mainly includes provisions that have been set up to cover other contractual liabilities and business risk of the Group. The composition of these items is manifold and comprised, among other things, provisions related to sales and other taxes as well as commercial disputes and product liabilities and are set up to cover legal and administrative proceedings.

	Dismantling provision	Jubilee Provision	Legal provisions	Other provisions	Total
1 Jan 2020	1'000'000	1'321'122	3'000'000	132'168	5'453'290
Additions charged during the year	-	-	-	629'575	629'575
Unused amounts released	-	-	-	-77'850	-77'850
Amounts used	-	-71'731	-303'765	-93'034	-468'530
Currency translation adjustments	-	-	-	-18'430	-18'430
31 Dec 2020	1'000'000	1'249'391	2'696'235	572'429	5'518'055
Current	-	-	2'696'235	572'429	3'268'664
Non-current	1'000'000	1'249'391	-	-	2'249'391

	Dismantling provision	Jubilee Provision	Legal provisions	Other Provisions	Total
1 Jan 2019	1'000'000	1'096'364	-	411'366	2'507'730
Additions charged during the year	-	224'758	3'000'000	463'435	3'688'193
Unused amounts released	-	-	-	-	-
Amounts used	-	-	-	-741'635	-741'635
Currency translation adjustments	-	-	-	-998	-998
31 Dec 2019	1'000'000	1'321'122	3'000'000	132'168	5'453'290
Current	-	-	3'000'000	132'168	3'132'168
Non-current	1'000'000	1'321'122	-	-	2'321'122

§ Accounting policies

Provisions are recognized when Medartis has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognized in the income statement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

7.10 Share capital

The share capital is represented by 11'778'148 registered shares (2019: 11'750'529) of CHF 0.20 (2019: 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 2020 Medartis Holding AG increased its share capital by issuing 27'619 new shares to 11'778'148 registered shares from its conditional share capital.

In 2019 Medartis Holding AG increased its share capital by issuing 9'522 new shares to 11'750'529 registered shares from its conditional share capital.

As of 31 December 2020 the conditional share capital for employee benefits amounts to CHF 118'096 (2019: 206'750), the conditional share capital for bonds and other instruments amounts to CHF 1'056'957 (2019: CHF 0) and the authorised capital amounts to CHF 1'175'053 (2019: 600'000).

In 2020 Medartis paid out no dividends to shareholders. There are no dividend payments planned for 2021.

7.11 Net interest-bearing debt

(CHF)	2020	Maturity		
		till 1 year	1-5 years	over 5 years
Lease liabilities, current	4'516'873	4'516'873	-	-
Net interest-bearing debt, current	4'516'873	4'516'873		
Lease liabilities, non-current	22'654'580	-	18'350'753	4'303'827
Loans and borrowings, non-current	5'683	-	5'683	-
Financial debt and other non-current liabilities	22'660'263	-	18'356'437	4'303'827
Total net interest-bearing debt	27'177'136			

(CHF)	2019	Maturity		
		till 1 year	1-5 years	over 5 years
Lease liabilities, current	3'924'159	3'924'159	-	-
Net interest-bearing debt, current	3'924'159	3'924'159		
Lease liabilities, non-current	22'472'903	-	15'192'358	7'280'545
Loans and borrowings, non-current	31'137	-	31'137	-
Financial debt and other non-current liabilities	22'504'040	-	15'223'495	7'280'545
Total net interest-bearing debt	26'428'199			

Reconciliation of liabilities arising from financing activities

(CHF)	2020	2019
1 January	26'428'199	3'377'915
IFRS 16 adoption	-	26'802'365
Increase in lease debts	4'710'196	747'787
Repayment of lease debts	-3'935'805	-4'711'278
Repayment of financial debts	-25'454	-3'087
Changes in fair values and other changes	-	214'497
31 December	27'177'136	26'428'199

Loans and borrowings qualify as financial instruments.

§ Accounting policies

After initial recognition at fair value, net of directly attributable transaction costs, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognised as well as through the effective and interest amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective and interest method. The amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Compound financial instruments – Convertible loan

Compound financial instruments issued by the Group comprise a loan that is convertible into share capital at the option of the holder whereby the number of shares to be issued varies depending on the share price during an equity or liquidation event.

As the conversion option of the lenders does not meet the fixed-for-fixed criteria, no equity component was identified. The entire financial liability was initially measured at the amount of cash received. The embedded derivative is subsequently measured at fair value through profit or loss, the host contract liability is measured at amortized cost.

7.12 Post-employment benefits

The Group operates different employee benefit plans: Whilst most pension plans are defined contribution plans, Medartis AG operates a defined benefit plan in Switzerland. The defined benefit obligation is determined applying the projected unit credit method. Related plan assets are measured at fair value.

In 2020, the net pension liability amounts to CHF -19.2 million (2019: CHF -17.9 million)

(CHF)	2020	2019
Fair value of plan assets	45'613'479	37'765'870
Present value of defined benefit obligation	-64'761'481	-55'678'313
Total net book value of employee benefits	-19'148'002	-17'912'443

Pension plan in Switzerland

This pension plan is governed by the Swiss Federal Law on Occupational Retirement, Survivor's and Disability Pension Plans (BVG), which states that pension plans are to be managed by independent, separate legal entities. It also stipulates that a pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability and death. The insurance benefits are subject to regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. If a plan is underfunded, various measures can be taken, such as a reduction in benefits by altering the conversion rates or increasing current contributions. Under the BVG employer has to fund at least 50% of the potential restructuring.

The Medartis Pension Fund has entered into an agreement with Helvetia Group Foundation. Helvetia is responsible for the governance of the plan; the Board is composed of an equal number of representatives from the employers and employees chosen from all affiliated companies. Helvetia has set up investment guidelines, defining in particular the strategic allocation with margins. Helvetia has reinsured its actuarial risks consisting of demographic risks (primarily life expectancy) and the financial risk (primarily the discount rate, future increases in salaries/wages, and the return on plan assets) with Helvetia Schweizerische Lebensversicherungsgesellschaft AG which manages the savings capital/investments on behalf of Helvetia Group Foundation. In addition, an actuarial report is drawn up annually in accordance with BVG requirements.

In 2019 Helvetia Group Foundation decided to reduce the conversion rate for the mandatory part of the BVG to 6.0% until 2023 whereas for the non-mandatory part it will be reduced to 4.4% until 2023. This plan amendment lead to a negative past service cost of CHF 3.4 million in 2019.

Cost of defined benefit plans

(CHF)	2020	2019
Service costs		
Current service cost (employer)	3'417'584	3'201'468
Past service cost	-	-3'353'872
Total service cost	3'417'584	-152'404
Administration cost (excl. cost for managing plan assets)	27'839	22'912
Net interest on employee benefits	61'159	85'786
Total pension expenses recorded in income statement	3'506'582	-43'706

Plan amendments (mainly from changes in conversion rates) were made in order to reduce actuarial risks.

Remeasurements of employee benefits

(CHF)	2020	2019
Actuarial gains/losses		
Changes in financial assumptions	1'352'965	3'966'269
Changes in demographic assumptions	-	-
Experience adjustments	878'717	2'250'694
Return on plan assets excl. interest income	-208'312	-82'616
Total remeasurements recorded in other comprehensive income	2'023'370	6'134'347

The changes of the financial assumptions relate to the decrease in the discount rate of 0.20% (2019: 0.35%) and in the interest rate on retirement savings capital of 0.20% (2019: 0.35%)

Change in fair value of plan assets

(CHF)	2020	2019
Fair value of plan assets at 1.1.	37'765'870	32'498'520
Interest income on plan assets	145'295	219'030
Contributions by the employer	4'294'393	1'503'717
Contributions by plan participants	1'448'854	1'450'197
Benefits (paid) / deposited	1'750'755	2'011'790
Return on plan assets excl. interest income	208'312	82'616
Fair value of plan assets at 31.12.	45'613'479	37'765'870

Change in present value of defined benefit

(CHF)	2020	2019
Defined benefit obligation at 1.1.	55'678'313	45'824'039
Interest expense on defined benefit obligation	206'454	304'816
Current service cost (employer)	3'417'584	3'201'468
Contributions by plan participants	1'448'854	1'450'197
Benefits (paid) / deposited	1'750'755	2'011'790
Past service cost	-	-3'353'872
Administration cost (excl. cost for managing plan assets)	27'839	22'912
Actuarial (gain) / loss on defined benefit obligation	2'231'682	6'216'963
Defined benefit obligation at 31.12.	64'761'481	55'678'313

Asset allocation of investments as at 31 December

in %	2020	2019
Others	45'613'479	37'765'870
Total	45'613'479	37'765'870

The outflow of funds due to pension payments and other obligations can be reliably estimated. Contributions are paid regularly to the pension funds. Furthermore, the investment strategy respects the need to guarantee the liquidity of the plan at all times. The Group does not make use of any assets held by the pension plan.

The item Others includes assets from the insurance contract with Helvetia Group Foundation which are acquired primarily for the purpose of hedging actuarial risks consisting of demographic risks (primarily life expectancy) and the financial risk (primarily the discount rate, future increases in salaries/wages, and the return on plan assets).

The actual return on plan assets for 2020 in Switzerland was CHF 0.4 million (2019: CHF 0.3 million)

Plan Participants

	2020	Active 2019
Number	291	293
Present value of defined obligation in CHF	64'761'481	55'678'313
Share in %	100%	100%
Weighted average duration in years	19.9	19.7

There are no retired plan participants for the years 2020 and 2019.

For the reporting year 2021 employer contributions of CHF 3.0 million are expected.

Significant actuarial assumptions:

The present value of the defined benefit obligation is determined annually by independent actuaries using the projected unit credit method.

In %	2020	2019
Discount rate	0.20%	0.35%
Increase in salaries/wages	1.25%	1.25%

Sensitivities of significant actuarial assumptions

The discount rate and the future increase in salaries/wages were identified as significant assumptions. The following impacts on the defined benefit obligation would result from changes in actuarial assumptions:

Impact on DBO at 31.12.2020	Increase	Decrease
Discount rate (0.25%)	-3'074'246	3'340'308
Salary increase (0.25%)	675'543	-704'564

Impact on DBO at 31.12.2019	Increase	Decrease
Discount rate (0.25%)	-2'606'841	2'833'433
Salary increase (0.25%)	616'212	-600'849

The sensitivity analysis is based on reasonable possible changes as at the end of the reporting year. Each change in a significant actuarial assumption was analysed separately as part of the test. Interdependencies were not considered.

Other long-term employee benefits

Medartis has programs for long-service awards and other payments dependent on length of service which are classified as other long-term payments due to employees. As at 31 December 2020 there exists a provision in the amount of CHF 1.3 million (2019: CHF 1.3 million) for other long-term employee benefits.

8. Share-based payments

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 10 trading days in February, less a discount of 20%. The shares are subject to a restriction period for the next two years.

The related expenses amount to CHF 1.0 million. (2019: CHF 1.1 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.

The related expenses amount to CHF 258'824 (2019: CHF 0)

§ Accounting policies

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves).

The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

9. Transactions and agreements with related parties

Related parties primarily comprise members of Group Management, members of the Board of Directors and significant shareholders. Transactions with related parties are carried out at arm's length.

The following shareholders hold a participation of more than 3% of the issued share capital of the Group's ultimate parent Medartis Holding AG:

as of 31 December,	2020	2019
Dr. h.c. Thomas Straumann	47.75%	47.87%
NexMed Holding AG	7.82%	7.84%
Willi Miesch	5.25%	6.03%
Endeavour Medtech Growth LP	6.61%	4.99%
Pictet Asset Management SA	3.00%	3.00%

Significant transactions and balances between the Group and related parties are as follows:

(CHF)	2020	2019
Sales of goods to:		
Institut Straumann AG	212'776	179'449
Services rendered to:		
centerVision AG	30'139	29'554
Services received from:		
IBRA, International Bone Research Association	-1'428'468	-3'374'001
Total related party transactions	-1'185'552	-3'164'998

Open balances due to/from related parties recognized in the consolidated balance sheet :

(CHF)	2020	2019
Institut Straumann AG	-	8'400
centerVision AG	687'883	668'430
IBRA, International Bone Research Association	-25'363	-426'223
Total open balances	662'520	250'607

The following table shows the compensation of Key Management Personnel (Board of Directors and the Executive Management Board):

(CHF)	2020	2019
Fees, salaries and other short-term benefits	3'858'461	3'913'776
Post-employment benefits	1'222'410	763'398
Share-based payment transactions	1'088'833	944'444
Total	6'169'704	5'621'618

Further details related to the requirements of the Swiss Transparency law (Art. 663b^{bis} and 663c Swiss Code of Obligations) are disclosed in the Financial Statements of Medartis Holding AG.

10. Commitments and contingencies

This section provides additional information about items not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance.

10.1 Other commitments

At 31 December 2020, the Group had commitments of CHF 8 thousand (2019: CHF 2.5 million).

10.2 Legal claim contingency

In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. 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 December 31, 2020, the Group's quantifiable contingencies amounted to CHF 0 (2019: 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, the authorities in Brazil launched investigations – in the context of intensified anti-corruption efforts in the healthcare sector – into companies including Extera, the former Medartis distributor acquired in 2017 and its former owners due to possible tender price agreements in 2012. Medartis is withholding BRL 3.9 million (equivalent of CHF 1.0 million on 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 is cooperating with the authorities. Based on its most recent contacts with the relevant authorities in Brazil responsible for the investigations, Medartis has reassessed the probability and currently anticipates potential claims, legal costs and other related expenses of CHF 2.7 million (2019: CHF 3.0 million). Accordingly, a corresponding provision has been created (please refer to Note 7.9). No payments or fines are due at this time.

11. Principal currency translation rates

Year-end rates used for the consolidated balance sheets at 31 December, to translate the following currencies into CHF, are:

	2020 per CHF	2019 per CHF
Euro (EUR)	0.92214	0.91960
US Dollar (USD)	1.13271	1.02997
Australian Dollar (AUD)	1.47837	1.47269

Average rates during the years ended 31 December, used for the consolidated income and cash flow statements, to translate the following currencies into CHF, are:

	2020 per CHF	2019 per CHF
Euro (EUR)	0.93418	0.89791
US Dollar (USD)	1.05974	1.00573
Australian Dollar (AUD)	1.54636	1.44751



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 4 March 2021

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Medartis Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 59 to 99) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Existence of inventories and sets in consignment

Risk A significant portion of the inventories is related to consignment inventory kept at customers' premises.
A significant portion of property plant and equipment is related to sets in consignment kept at customers' premises.
This, in combination with the significant share of inventories and sets in relation to total assets, made us conclude that existence of inventories and sets in consignment is a key audit matter of our audit (Notes 7.3 and 7.4).

Our audit response We assessed the Medartis Group's process of the inventory takings and consignment inventory confirmations. Furthermore, we tested the design and operating effectiveness of the relevant internal control procedures over the inventory cycle counts that are periodically performed by management, over the distributors' confirmation of consignment sets kept at the customers' premises, over analytical procedures performed as well as the automated recording of sales transactions (three-way-match).

Throughout the year, we attended a selection of inventory counts in warehouses in Switzerland, Australia, USA and Brazil, to validate cycle counts performed by the Group. We compared our count results with the results of Medartis Group's own counts.

We have analysed the use of the moving average price in SAP.

We have also participated and took note of the stock takes performed at two hospitals and compared our count results with the results of Medartis Group's own counts.

Furthermore, we obtained sales representatives confirmations for a haphazardly selected sample of consignment sets.

We considered monthly gross margin analysis and the value/turnover ratio analysis as performed by Medartis Group controlling.

Our audit procedures did not lead to any reservations concerning the inventories relating to consignment sets.



Uncertain tax positions and recoverability of deferred tax assets

Risk Medartis Group operates in multiple jurisdictions and is therefore exposed to numerous tax laws around the world. The recognition of a related risk provision, and the likelihood that a liability will crystallize are both considered to be significant judgmental areas. Another source of risk arises from tax authorities challenging certain tax treatments with a possible focus on taxation of multinational businesses.

Moreover, the recognition of deferred tax assets from temporary differences and loss carry forwards requires management's assessment of whether it is probable that sufficient taxable profits will be available against which deferred tax assets can be utilized.

The significance of the income tax balances and the judgment involved in determining these made us conclude that the recoverability of deferred tax assets is a key audit matter of our audit (Note 6.7).

Our audit response We evaluated the Group process for the identification and evaluation of uncertain tax positions and other tax risks as well as for the assessment of the recoverability of deferred tax assets. We also considered the Group process for the recording and continuous re-assessment of the related (contingent) liabilities and provisions as well as deferred taxes.

We analysed tax exposures estimated by management and the risk analysis associated with these exposures along with claims or assessments made by tax authorities to date.

We analyzed the tax risk provision with the involvement of our internal tax experts to evaluate whether it reflects the tax risks in the business. We reviewed documentation of tax audits and evaluated whether exposures raised by the tax authorities have been considered.

We tested the calculation of deferred tax assets and liabilities and considered the management estimates relating to the recoverability of deferred tax assets.

We analyzed the off-setting and presentation of deferred tax positions.

Our audit procedures did not lead to any reservations concerning the current and deferred income tax position.

Legal provisions



4

Risk The provision for legal cases of CHF 2.7m pertains to potential claims, legal costs and other expenses related to the currently ongoing investigation by the authorities in Brazil launched in the context of intensified anti-corruption efforts in the healthcare sector into companies including Extera, the former Medartis distributor acquired in 2017 and its former owners due to possible tender price agreements in 2012.

The estimation of this provision is based on a preliminary assessment performed by the Group's internal counselor and external lawyers of the potential cash outflows relating to the pending proceedings.

The significant estimates and judgments required by management in assessing the accounting of legal provision made us conclude that this is a key audit matter of our audit (Note 10.2).

Our audit response We obtained an understanding of the legal estimation process and evaluated the estimations made. Our focus included evaluating the appropriateness of the basis for the assumptions developed and used in the determination of the legal provision, comparing management's assessment with external lawyer's confirmations and validated management's assessment also with an internal legal counsel.

Our audit procedures did not lead to any reservations concerning the provisions made.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Financial Statements of Medartis Holding AG, Basel

Balance sheet

in CHF

Assets	Notes	31 Dec 2020	31 Dec 2019
Cash and cash equivalents		35'882'649	43'584'271
Trade receivables	2	12'751'081	10'814'283
Other receivables	3	62'610	73'735
Total current assets		48'696'340	54'472'289
Financial assets	4	177'621'698	171'826'698
Shareholdings	5	1'000'000	1'000'000
Total non-current assets		178'621'698	172'826'698
Total assets		227'318'038	227'298'987

Balance sheet

in CHF

Equity and liabilities	Notes	31 Dec 2020	31 Dec 2019
Trade payables	6	0	143'739
Other current liabilities	7	39'849	232'189
Deferred income and accrued expenses		44'450	50'195
Current provisions	8	267'000	117'000
Total current liabilities		351'299	543'122
Share capital		2'355'630	2'350'106
Capital contribution reserves		253'225'043	253'225'043
Retained earnings			
Loss carryforward		-28'819'283	-34'432'310
Net income for the year		205'351	5'613'027
Total equity		226'966'740	226'755'865
Total equity and liabilities		227'318'038	227'298'988

Income statement

in CHF

	Notes	31 Dec 2020	31 Dec 2019
Net income from licenses		0	5'808'466
Gross margin		0	5'808'466
Other operating expenses	9	-1'298'339	-1'045'095
Earnings before interest and tax (EBIT)		-1'298'339	4'763'371
Financial cost	10	-624'140	-245'590
Financial income	10	2'157'764	1'476'729
Operating result before taxes		235'285	5'994'510
Direct taxes		-29'934	-381'484
Net result for the year		205'351	5'613'027

Notes to the financial statements

in CHF

1. Principles applied in these financial statements

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO) (effective 1 January 2013).

The preparation of financial statements requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent liabilities, revenue and expenses. The Board of Directors uses judgment in applying the Company's accounting policies. Depreciations, write-downs and provisions exceeding the economically necessary amounts can be accounted for based on prudence considerations.

2. Trade receivables

	31 Dec 2020	31 Dec 2019
Subsidiaries	12'751'081	10'814'283
Total trade receivables	12'751'081	10'814'283

3. Other receivables

	31 Dec 2020	31 Dec 2019
Tax	29'990	73'735
Other	32'620	0
Total other receivables	62'610	73'735

4. Financial assets

	31 Dec 2020	31 Dec 2019
Subsidiaries	177'621'698	171'826'698
Total financial assets	177'621'698	171'826'698

5. Shareholdings

Direct shareholdings

Medartis AG, Switzerland (Basel)		31 Dec 2020	31 Dec 2019
Share capital	CHF	1'000'000	1'000'000
Participation quota		100%	100%

Indirect shareholdings

Medartis GmbH, Germany (Umkirch)		31 Dec 2020	31 Dec 2019
Share capital	EUR	51'129	51'129
Capital reserve	EUR	1'723'036	1'723'036
Participation quota		100%	100%
Medartis GmbH, Austria (Vienna)			
		31 Dec 2020	31 Dec 2019
Share capital	EUR	35'000	35'000
Paid-in	EUR	17'500	17'500
Capital reserve	EUR	100'000	100'000
Participation quota		100%	100%
Medartis Sarl, France (Lyon)			
		31 Dec 2020	31 Dec 2019
Share capital	EUR	15'000	15'000
Participation quota		100%	100%
Medartis LTD, UK (Derby)			
		31 Dec 2020	31 Dec 2019
Share capital	GBP	3'700'000	3'700'000
Participation quota		100%	100%
Medartis INC, USA (Delaware)			
		31 Dec 2020	31 Dec 2019
Share capital	USD	10	10
Participation quota		100%	100%
Medartis S A de C V, Mexico (Mexico)			
		31 Dec 2020	31 Dec 2019
Share capital	MXN	100'000	100'000
Participation quota		100%	100%
Medartis Sp zoo, Poland (Wroclaw)			
		31 Dec 2020	31 Dec 2019
Share capital	PLN	200'000	200'000
Participation quota		99%	99%
Medartis Australia & New Zealand Pty LTD, Australia (Albion)			
		31 Dec 2020	31 Dec 2019
Share capital	AUD	1'203'000	1'203'000
Participation quota		100%	100%
Medartis New Zealand LTD, New Zealand (Auckland)			
		31 Dec 2020	31 Dec 2019
Share capital	NZD	1'000	1'000
Participation quota		100%	100%
Medartis SL, Spain (Alcobendas Madrid)			
		31 Dec 2020	31 Dec 2019
Share capital	EUR	0	50'000
Participation quota		0%	100%

Medartis Iberia SL, Spain (Barcelona)		31 Dec 2020	31 Dec 2019
Share capital	EUR	3'000	0
Participation quota		100%	0%
Medartis do Brasil Participacoes Ltda, Brasil (Sao Paulo)		31 Dec 202	31 Dec 2019
Share capital	BRL	25'157'562	25'157'562
Participation quota		100%	100%
Extera Importação e Exportação Ltda, Brasil (Sao Paulo)		31 Dec 2020	31 Dec 2019
Share capital	BRL	18'000'000	18'000'000
Participation quota		100%	100%
Medartis Co Ltd, Japan (Tokyo)		31 Dec 2020	31 Dec 2019
Share capital	JPY	10'000'000	10'000'000
Participation quota		100%	100%
Mimedis AG, Switzerland (Basel)		31 Dec 2020	31 Dec 2019
Share capital	CHF	100'000	100'000
Paid-in	CHF	50'000	50'000
Participation quota		100%	100%
Medartis International Trade (Shanghai) Co., Ltd., China		31 Dec 2020	31 Dec 2019
Share capital	CNY	10'500'000	10'500'000
Participation quota		100%	100%

6. Trade payables

	31 Dec 2020	31 Dec 2019
Third parties	0	143'739
Total trade payables	0	143'739

7. Other current liabilities

	31 Dec 2020	31 Dec 2019
Third parties	0	223'626
Subsidiaries	39'849	8'562
Total other current liabilities	39'849	232'189

8. Provisions

Current provisions	31 Dec 2020	31 Dec 2019
Other provisions	267'000	117'000
Total current provisions	267'000	117'000

9. Other operating expenses

	31 Dec 2020	31 Dec 2019
Insurance expense	0	0
Administrative expense	-822'690	-554'929
Expense for patents, trademarks and licences	-4'75'649	-490'166
Total other operating expenses	-1'298'339	-1'045'095

10. Financial cost and financial income

Financial cost	31 Dec 2020	31 Dec 2019
Interest cost	-1'433	-245'590
Total financial cost	-624'140	-245'590

Financial income	31 Dec 2020	31 Dec 2019
Interest income	1'981'122	1'476'729
Total financial income	2'157'764	1'476'729

11. Number of employees

Medartis Holding AG has no employees.

12. Fees of the auditors

	31 Dec 2020	31 Dec 2019
Fees for audit services (Medartis Group)	219'000	334'000
Fees for other services	10'000	0
Total fees of the auditors	229'000	334'000

13. Contingent liabilities

Guarantee for the bank current account of Medartis AG	10'000'000	10'000'000
Guarantee for the lease liabilities of Medartis AG	23'000'000	23'000'000

14. Events after the balance sheet date

After the balance sheet date and until the approval of the financial statements on 4 March 2021 by the Board of Directors no material events, which would affect the financial statements 2020 have occurred.

15. Major shareholders

Shareholders who own more than 5% of voting rights:

	31 Dec 2020	31 Dec 2019
Dr. h.c. Thomas Straumann (Chairman of the Board)	47.75%	47.87%
NexMed Holding AG *	7.82%	7.84%
Endeavour Medtech Growth LP	6.61%	4.99%
Willi Miesch (CEO until August 2019)	5.25%	6.03%

*NexMed Holding AG is beneficially owned by Dominik Ellenrieder.

16. Equity instruments of the board of directors and executive management

The following table discloses the number of shares held by the Board of Directors, the Executive Management Board and individuals related to them.

Board of Directors	31 Dec 2020	31 Dec 2019
Dr. h.c. Thomas Straumann ¹⁾	5'625'930	5'625'930
Dominik Ellenrieder ²⁾	921'035	921'035
Willi Miesch	617'917	708'574
Damien Tappy ³⁾	277'782	25'274
Roland Hess	13'927	9'114
Dr. Med. Daniel B. Herren	2'817	2'213
Dr. Jürg Greuter	2'604	2'604
Marco Gadola	2'417	-

¹⁾ Including 1'500 Shares held by a related party.

²⁾ Held by NexMed Holding AG that is beneficially owned by Dominik Ellenrieder.

³⁾ Including 12'345 shares beneficially owned by Damien Tappy through Schroder & Co Bank AG.

Executive Management Board	31 Dec 2020	31 Dec 2019
Christoph Brönnimann	6'172	1'500
Dominique Leutwyler ¹⁾	18'465	14'728
Axel Maltzen	5'367	2'801
Anthony Durieux-Menage	1'526	-
Thomas Tribelhorn ²⁾	4'065	3'774

¹⁾ Including 54 Shares held by a related party.

²⁾ CTO until 31.10.2020



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 4 March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Medartis Holding AG, which comprise the balance sheet, income statement and notes (pages 105 to 112), for the year ended 31 December 2020.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Risk Investments in and loans to subsidiaries as of balance sheet date amount to CHF 178.6 million or 78.6% of total assets. There is a risk that the carrying amount of the investments and loans may no longer be supported through their value in use calculated on the basis of budgeted future cash flows.

The significant estimates and judgments required by management in valuing the investment in and loans to subsidiaries made us conclude that this is a key audit matter of our audit.

Our audit response We assessed, with involvement of EY valuation specialists, the valuation methodology, the underlying assumptions and the mathematical accuracy of the valuation models. Furthermore, we compared management earlier estimates to forecast.

Our audit procedures did not lead to any reservations concerning the investments in and loans to subsidiaries.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.



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In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'Elisa Alfieri'.

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'André Schaub'.

André Schaub
Licensed audit expert

Informations for investors

Financial calendar

23 April 2021	Annual General Meeting
17 August 2021	Publication of 2021 first-half results
08 March 2022	Publication of 2021 full-year results

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Disclaimer

Forward-looking statements

This Annual 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 Annual 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.

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