

medartis

2022 | Annual Report

Milestones

1997



Thomas Straumann founded Medartis AG at the beginning of November with his best friend from his youth Willi Miesch – shown here in a picture taken in 1985. The focus was on oral and maxillofacial surgery.

2002



Medartis presented its MODUS implant solution for the first time to an international audience at a congress in Münster. Thomas Straumann had bought MODUS from the Swedish company Elekta and had it optimised by his development engineers.

2002



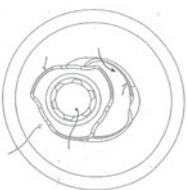
Initially distributed by Straumann Holding AG, Medartis itself now took on the sale of its implants. It founded a subsidiary in Umkirch, then in Vienna, Lyon, Batley and Philadelphia. Over the years, subsidiaries followed in the most important sales markets.

2004



Together with renowned surgeons, Straumann and Miesch founded the International Bone Research Association (IBRA) in Zurich on 25 September. Two years later, the first scientific seminar and the first general assembly (pictured) took place at the University Hospital in Bern.

2004



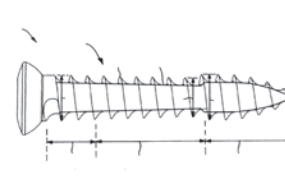
TriLock was launched: the first multidirectional, angular-stable locking system of its kind. The implant solution APTUS, which Medartis launched in the same year for hand and wrist surgery and later for the lower extremities, is based on this technology.

2005



Medartis started its own production. A modern production facility for screws and plates was built in the empty halls of the family-owned and befriended Tschudin + Heid company in Bretzwil, Basel.

2008



Medartis launched another technology that set new standards in the operating theatre: SpeedTip, probably the world's sharpest screw. Equally appreciated by surgeons: the screw head design TypeHexaDrive, thanks to which the screw adheres to the screwdriver.

2009



Everyone under one roof: Medartis, as the first main tenant, moved into the modern Stücker Business Park in Basel's working-class district of Kleinhüningen. Today, the Business Park is home to numerous life science companies.

2010



Medartis expanded the range of application of its implants to the lower extremities (foot and ankle). In the upper extremities, implants for the elbow were added.

2010



Simon Ammann flew to the Olympic gold medals number three and four in Vancouver. This was also a highlight for Medartis because it had contributed significantly to the double gold win, thanks to the development of a new type of ski binding.

2017



With the acquisition of the Basel-based start-up Mimedis, Medartis was preparing for the future in terms of digital case planning. In addition, it reached the turnover mark of 100 million Swiss francs for the first time.

2018



Medartis went public on 23 March 2018. With an additional 142 million in equity, the company was preparing for its next growth phase. Thomas Straumann, Dominik Ellenrieder and Willi Miesch remained the main shareholders.

2019



Willi Miesch stepped down as CEO. His successor is the experienced Johnson & Johnson executive Christoph Brönnimann. Shortly afterwards, Thomas Straumann handed over the Chairmanship of the Board of Directors to Marco Gadola, who has successfully led the Straumann Group first as the CFO, and then from 2013 as the CEO.

2022



The American company Nextremity Solutions became part of Medartis. It offered a second manufacturing facility and products for the lower extremities, focusing on the needs of the US orthopaedic market. The acquisition paved the way for access to the world's largest med-tech market.

2022



On 3 November 2022, Medartis celebrated its 25th anniversary. In 50 countries around the globe, our innovative products and solutions impact the quality of life of countless patients. Building on our 25-year legacy, this is also our promise for the future, which we are shaping together with our customers and partners.

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

For more information, please visit www.medartis.com

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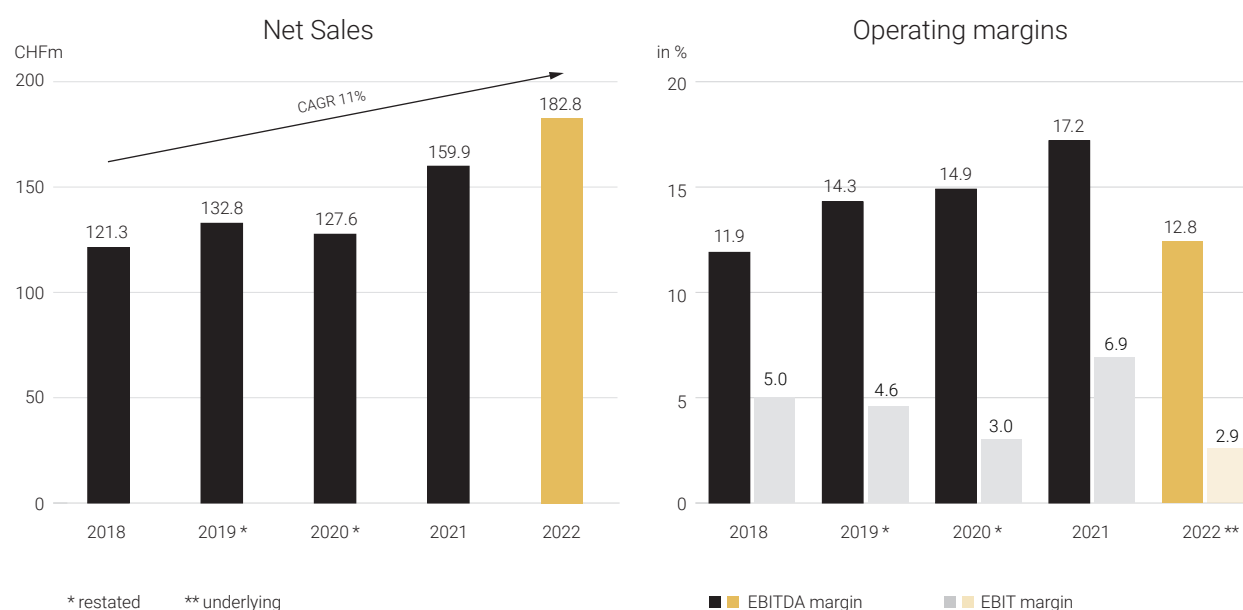
Full-year 2022 key financials

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

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

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

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



Key performance indicators

Net sales

182.8 CHF m

+17.8% growth at CER¹

Organic growth¹

14.6%

Double-digit growth in EMEA, US and LATAM

Underlying² EBITDA

23.4 CHF m

12.8% EBITDA margin

Net result

(5.8) CHF m

Basic EPS (0.49) CHF

Employees

866

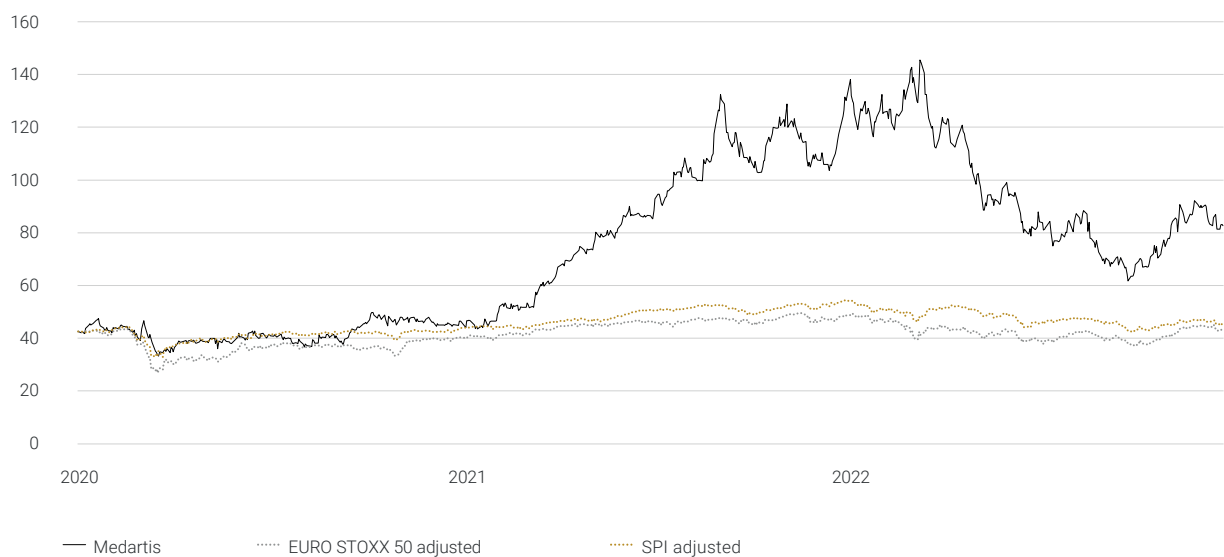
85 new jobs created in 2022 and 97 people joined from NSI

Investments

52.9 CHF m

Increased investment in machinery, consignment sets and M&A

3-year relative share price development



A portrait of Medartis growth story

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

Patient impact

Surgery on an ankle may be needed to treat bone fractures, arthritis, tendonitis and problems that can't be resolved with therapy and medication. The aim of surgical treatment is to restore optimal anatomical conditions. The use of implants also allows early and safe mobilization / rehabilitation of the fracture or the deformity. Shortly after the procedure, patients can usually return to their normal activities.

Addressing market potential with a focused approach

Medartis owns attractive technologies in CMF and extremities incl. patient-specific solutions in one of the fastest growing orthopaedic segments. Its addressable market is worth approx. CHF 7 billion out of a total worldwide orthopaedic market of over CHF 40 billion. A burgeoning elderly population, coupled with the rising prevalence of diabetes and the trend towards a more active lifestyle, is stimulating procedure growth. 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.

Implants: Main driver of revenue

Medartis focuses on implants for the upper and lower extremities as well as the head. Larger clinics with a sufficient number of surgeries receive consignment sets with implants and instruments, where surgical container and instruments remain the property of Medartis. Customers who perform a procedure only sporadically order loan sets on a case-by-case basis. The majority of its products and solutions are used in trauma / emergency surgeries. The business model is therefore largely independent of economic cycles.

Swiss quality

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, where lean manufacturing and the use of robotics enable highly automated manufacturing processes 24 / 7. The acquisition of Nextremity Solutions Inc. in Warsaw, IN, in 2022 provides Medartis with additional production and development capacities in its focus market, USA.

Helping surgeons to improve surgical outcomes

Medartis assists surgeons with high-quality implant systems

for existing surgical possibilities, offering new clinical solutions and providing best-in-class services to surgeons, operating room personnel and purchasing departments. Medartis is committed to ensuring the well-being of patients to providing medical specialists with innovative, high-quality and user-friendly solutions to improve surgical outcomes.

Inspired by technology

Leading innovations have characterized Medartis since its founding in 1997. A team of industry-experienced osteosynthesis innovators has developed a new generation of technologies for bone fixation comprising the TriLock® technology, which is used to lock screw heads and provides the smallest 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.

International presence

Medartis enjoys 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. In addition to its headquarters in Basel and its business in its home market of Switzerland, Medartis has 12 fully owned subsidiaries: Germany, Austria, France, England, Spain, Poland, the US, Australia, New Zealand, Japan, Mexico, and Brazil.


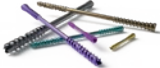



Repeating the success

Medartis has a top-3 position in hand and wrist indications in Switzerland, Germany, Austria, France and Australia. In its traditional market, the highly competitive German market, for example, Medartis' market share in hand, wrist and head (CMF) is between 25-35%, while in the shoulder and ankle segment it is only in the single digits. The company aims to grow both geographically and by indications. To this end, the company has expanded its portfolio to include a 2nd generation CMF, a clavicle (shoulder), a new mid- & hindfoot correction, a new ankle trauma, and a new distal tibia and fibula fracture system. The digital planning solutions "CMX" are part of the Medartis offering since 2020 and support the planning and execution of complex procedures with patient-specific 3D printed guides and bone models as well as patient-specific implants.

Innovations

For more than 25 years, Medartis stands for Swiss engineered, high-tech innovation that addresses unmet clinical needs. We are passionate about developing advanced implant solutions for medical professionals with the aim of improving patient’s treatment and restore their quality of life. Medartis has been innovating, developing, testing and refining products. We aim to develop procedure and anatomy specific devices that lead in collaboration with our customers to predictable and superior treatment outcomes. We strive to extend product and service

solutions that enhance convenience, leverage efficiency and add value, comfort and security for customers and patients. True to our motto ‘precision in fixation’ we attach great importance to precise planning and engineering as well as high quality manufacturing. We are determined to become a leader in CMF and extremities through innovation, documented clinical research, differentiated comprehensive solutions and service excellence. The main launches in 2022 are highlighted in the table below.

Product Name	Indication	Benefit	Portfolio relevance
StealthFix™ Intraosseus fixation system 	Elective foot treatment	StealthFix™ is an intraosseus fixation system that offers zero profile fixation, reducing risk of hardware related symptoms and provides the strength of a 4-hole plate. The I-beam design limits micromotion while providing built in compression that meets requirements of multiple high demand foot applications.	New treatment option for forefoot and midfoot deformity correction.
NX Nail 	Upper extremities (hand) Intraosseus, minimally invasive treatment for fractures of the metacarpal and phalanx	The NX Nail is a second-generation extremity nail with a design based on the AO principals of fracture management. As most extra-articular hand fractures involve the shaft of either the metacarpals or phalanges, the NX Nail is designed to maintain length, whilst restoring version and controlling angulation.	New treatment alternative for trauma fixation in the phalanx, metacarpal, scaphoid & ulna.
3.5 Straight Plates Small fragment plate 	Fractures, osteotomies, non-unions of scapula, olecranon, radius, ulna, foot, distal tibia and fibula	Versatile locking 3.5 plate, fully compatible with Ankle Trauma system	Novelty locking plate that complements our 3.5 trauma portfolio.
LapiPrep™ Lapidus correction and preparation system 	Foot deformities	LapiPrep™ corrects and retains all deformity throughout the duration of the Lapidus procedure and eliminates the need for more than one set of hands. The system allows the surgeon to confidently prepare the joint in the corrected position. Additionally, the placement of the jig remains out of the way and provides clear visualization of the TMT-1 Joint.	Bunion correction system that can be used with Hallux 2.8 and all Medartis plates indicated for foot.
KeriFlex® Silicone finger joint implants, PIP - MCP 	Upper extremities (hand)	- KeriFlex® implants provide strength, flexibility and durability - Medio-Lateral stability and joint mobility - High performance medical silicone for high mechanical resistance to physiological efforts - Complete size range to meet all anatomical needs - Optimised & simplified instrumentation	Unique solution for the replacement of joints affected by rheumatoid arthritis, osteoarthritis or traumatic arthritis.

To complement our products and solutions, and to support their effective implementation, we offer a broad spectrum of services under the Medartis brand. For instance, we assist with networking and arrange experienced mentoring on request. Together with our academic and scientific partner IBRA, we also offer initiatives to

help clinicians develop and improve their practical skills. These services require staff with a very high standard of professional knowledge, able to provide the necessary information and instruction on products.

Worldwide presence

Globally diversified business



22%
Revenue share

41.0m
CHF

28.7%
Growth in CER

North America (US)

United States of America

Warsaw, IN, USA



10%
Revenue share

18.3m
CHF

27.7%
Growth in CER

LATAM

Argentina

Brazil

Chile

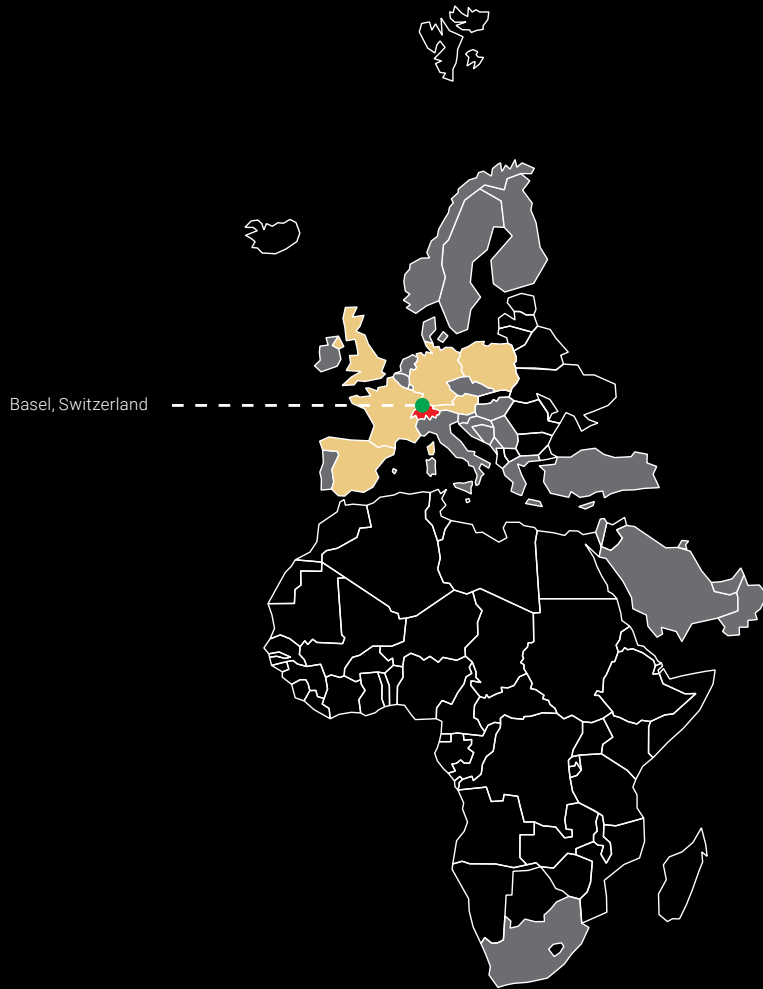
Colombia

Costa Rica

Ecuador

Mexico

- Headquarters
- 12 subsidiaries
- 45+ countries with distribution partners
- Production



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
- Luxembourg
- Netherlands
- Norway
- Oman
- Poland**
- Portugal
- Serbia
- Slovenia
- South Africa
- Spain**
- Sweden
- Switzerland**
- Turkey
- UAE
- UK**

50%
Revenue share

91.4m
CHF

17.3%
Growth in CER



APAC

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

18%
Revenue share

32.1m
CHF

3.5%
Growth in CER



Dr. Christoph Brönnimann
Chief Executive Officer

Marco Gadola
Chairman of the Board of Directors

Message from the Chairman and the Medartis CEO

Dear shareholders,

In November 1997, Thomas Straumann had a bold idea. Together with his best friend Willi Miesch, he founded Medartis AG. Thanks to clever technologies and a hands-on approach, this start-up developed into a global innovation leader in head and extremity surgery. 25 years later, Medartis has 866 employees, generates more than CHF 180 million in sales, and our products and services enable healthier lives for more than 350 000 people in over 50 countries. On the inside of the cover, we invite you to dive into the history of your company.

After two intense years marked by the pandemic, we –and you– hoped to return to a more stable environment in 2022. Unfortunately, the opposite was the case. The business and economic environment has changed significantly. Many hospitals – especially in the Asia Pacific region - are still struggling with the aftermath of the pandemic and are facing low levels of elective surgery. In other countries, the pandemic situation has largely normalised, but staff shortages have become a major problem with many hospital employees absent due to illness or leaving due to low morale.

Resilience of our business

Characterised by economic woes, 2022 was also a turbulent year for global stock markets. After seven years of rising valuations, investors became more risk averse and medical device and technology stocks suffered the most. Medartis was not immune either. The share price fell 41% after rising 180% in 2021. The last two years have confirmed the resilience of our business and the untapped potential we have in the extremities and head surgery segment based on innovative products made in Switzerland. In 2022, our sales grew by 17.8% (CER) and 14.6% on an organic basis. We have invested considerably to strengthen our foundation for future growth. We placed further consignment stock in the market, paid the first tranche of the purchase price of Nextremity Solutions (NSI) and increased our stake in KeriMedical to 30%. Furthermore, we recently signed an agreement with the private founders to acquire an additional stake of 18% for a purchase consideration of approx. CHF 18 million.

Our stronghold EMEA (+17.3%) was the largest growth contributor, while Latin America was our fastest growing region

«For the US, it was a year of change triggered by the largest acquisition in our company's history.»

Dr. Christoph Brönnimann, CEO

In this world of increasing volatility, we delivered again above-market sales growth and invested in new growth opportunities and capacity expansions on an unprecedented scale to drive market penetration and customer conversion fuelled by many new products and solutions. Together with our professional education partner IBRA (see page 27 of the Annual Report), we have returned to high levels of professional education. We continued our investments in research and development (see page 9 of the Annual Report) to create new and better treatment options for our surgeons and operating theatre staff.

(+27.7%). Our US business grew 28.7% (12.8% organic), while the development in Asia Pacific region was modest (3.5%) due to challenging conditions as described above. A highlight of the year was the successful commercialization of the product range of our partner KeriMedical. The dual mobility thumb prosthesis TOUCH® in particular has been in high demand and has given a further impetus to our growth in EMEA. KeriFlex® was the first product to receive FDA approval in Q4. We are currently exploring how we can deepen and broaden our partnership going forward.

A year of change in the US

For the US, it was a year of change triggered by the largest acquisition in our company's history: new leadership, a new organisation, and the concentration of our operations under one roof in Warsaw, Indiana, USA, the "orthopaedic capital of the world". The simplified organisational structure will provide us with a strong foundation for growth in the world's largest market for orthopaedic solutions and the one with the biggest growth potential for us. Although we achieved double-digit growth and have gained market share in our key segments we fell short of our

remain our obsession and a distinguishing feature. We are still a relatively small player in the orthopaedic industry but have demonstrated now over many years that our passion to be surgeon-centric and patient-focused enables us to gain significant market share year after year. We have also made progress on the important issue of sustainability by creating clear lines of responsibility at the Board of Directors and the Executive Board level and with a dedicated, interdisciplinary ESG project group, we will further improve transparency in reporting to the outside world and awareness internally (details on page 32 of the Annual Report).

«We are confident that we have the strategy and culture in place to continue to gain market share.»

Marco Gadola, Chairman

ambitious targets. We continue to expand our distribution network by onboarding new independent sales agencies and strengthening our existing direct sales channel. NSI's first legacy products, which close portfolio gaps and expand the range of indications in foot and ankle, have been launched in Q1 2023 with positive feedback from surgeons on 'StealthFix', 'LapiPrep' and 'Lapidus CutGuide', which give us confidence that we are on the right track to further accelerate growth in the US.

Profitability in 2022 decreased and was below our initial projections. Our key financial measurement EBITDA amounted to CHF 16.2 million, corresponding to a margin of 8.9%. Excluding one-off integration and reorganisation costs in the US and China, the margin would have been 12.8%. As communicated a year ago, the investments in NSI and the build-up of our local distribution channel in the US will dilute our margins in the first three years. In addition to these one-off effects, we also incurred FX losses of CHF 3.2 million due to the depreciation of the US dollar and the Euro against the Swiss franc.

Surgeon-centric and patient-focused

Thanks to our highly committed employees we have made substantial progress in our culture journey and our corporate responsibility initiatives. Customers' requirements are constantly changing and we need to anticipate them as much as possible by staying close to them and jointly developing innovative solutions that are targeted on the needs of the local market. This must

On behalf of the entire Board of Directors, we would like to thank all our 866 passionate employees worldwide for their continued commitment to serving our customers and expanding our business. While some of the challenges we faced last year will continue into 2023, we are confident that we have the strategy and culture in place to continue to gain market share and deliver better financial results than in 2022.

We would also like to thank you, dear shareholders, for your unwavering trust and support. We are pleased to announce that our Annual General Meeting will take place on Friday, April 21st, 2023 at our headquarters in Basel. We hope to see many of you in person and have the opportunity to engage with you face-to-face again.

Sincerely,



Marco Gadola
Chairman of the Board of Directors



Dr. Christoph Brönnimann
Chief Executive Officer

Basel, March 2023



Elias Henkel
Operator Plates, Basel



Eduard Lorenz
Teamleader Media Production, Basel

Business Review

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

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

Strategic Steps

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

Strengthen ties with KeriMedical

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

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

Regional Performance

In the **EMEA region**, Medartis' business developed very favourably. With year-on-year growth of 17.3% (CER), full-year sales reached CHF 91.4 million. A currency headwind of almost 8 percentage points squeezed growth in Swiss francs. The DACH region, where Medartis already has a large market share in upper extremities, grew again by more than 10%. Growth in France, the

Revenue development per region

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

UK, Poland and Spain was over 20%, making them among the fastest growing markets. The subsidiary in Spain, which was founded in 2020, doubled the size in just one year and has signed agreements with most health insurance companies. These results were driven mainly by commercial execution, further share gains in core hand and wrist systems and strong uptake of new products launched in 2020-2021, namely implants for the treatment of the clavicle and the ankle joint as well as the versatile CCS screw extensions. In Germany, Austria and the UK, where Medartis has exclusive distribution rights, KeriMedical sales also contributed significantly to the result, accounting for around 30% of growth. The migration from existing Modus 1 clinics to Modus 2 in the CMF product area continued, but the full market potential has yet to be exploited.

Medartis' **US business** grew 28.7% at CER, lifting regional sales in 2022 to CHF 41.0 million. This includes a sales contribution of CHF 5.1 million from the acquired NSI 3rd party custom manufacturing business, which will not be part of the Medartis' core business going forward. In organic terms, sales increased by 12.8%, improving from 9.8% to 15.5% between the first and second half of the year. Strong demand particularly for products in key indications such as wrist, ankle and shoulder were the main drivers for the double-digit growth. In contrast, sales in forefoot and midfoot fell short of expectations. The Field Orthopaedics nail system recorded its first sales in Q4 and received positive customer feedback. In October, the company also received FDA clearance for the silicone finger joint implant KERIFLEX® to replace PIP or MCP joints affected by rheumatoid arthritis, osteoarthritis or traumatic arthritis. This is the first product from KeriMedical's promising portfolio to be approved for distribution in the US. In addition to this gratifying product approval, the US team concluded the NSI integration in Q4. Thanks to the acquisition of NSI, Medartis US evolved from a pure sales entity to a fully-fledged organisations with R&D, regulatory, manufacturing, supply chain and sales support. In just one year, the local workforce grew from 74 to 185 people.

As planned, Medartis increased its regional sales team from 160 to 220 in one year and intends to expand it further, with a focus on productivity. The expansion was done entirely through

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

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

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

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

The **LATAM region** continued its track record of strong growth in 2022. Sales for the full year increased by 33.6% over 2021 to CHF

Revenue development by product category

in CHF million, rounded	FY 2022	FY 2021	Change in CHF	Change in CER
Upper extremities	123.8	112.0	10.5%	14.0%
Lower extremities	28.2	24.6	14.6%	19.3%
CMF & other products ¹	30.8	23.2	32.8%	34.8%
Total	182.8	159.9	14.4%	17.8%

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

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

Performance by Product Category

By product category, growth in the 'CMF and other products' of 34.8% outpaced the other areas. If the NSI contract manufacturing business is excluded, the performance in organic terms is fairly balanced: Upper extremities, which accounts for two-thirds of sales, grew by 14.0%, Foot and Ankle by 19.3% and CMF advanced 13.0%. In **upper extremities**, shoulder and wrist were the fastest growing categories. All subsidiaries increased their wrist sales, with Spain, Mexico, Brazil and the UK exhibiting the highest distal radius growth.

The category also benefitted from additional contributions from the KeriMedical products, mainly from the flagship product TOUCH®. Joint replacement for the treatment of rhizarthritis is an important growth driver for the company, as confirmed by the response from customers in Germany, Austria and the UK. Based on recent studies, the thumb joint is one of the most commonly affected areas by osteoarthritis. It is the second most commonly affected joint after the knee and significantly more common than the hip joint, which highlights the need of addressing osteoarthritis in the thumb and offering alternative treatments for surgeons that bring clear benefits to the patient.

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

Strong growth in Orthognathic and Cranium products were the main performance driver in **CMF and other products**, which include surgical implants for the head as well as instruments and sets. Geographically, the category grew the most in LATAM, which will migrate to Modus 2 in 2023. CMF sales in APAC declined from a comparatively high baseline in the prior year, when Medartis benefitted from a stocking effect of the new CMF

distributor in Japan. The demand for the CMX digital planning service also developed positively. With this proprietary digital planning platform for patient-specific solutions, Medartis is well positioned to attract new customers and deepen relationships with existing ones who look for total solutions from a single source.

In 2022, Medartis continued to expand its global workforce by 27%, from 684 to 866 employees. 80% of the additional 182 employees have been recruited in its sales subsidiaries; the majority in the focus market US. At Medartis' headquarters in Switzerland, 37 new jobs mainly in manufacturing and R&D were created last year.

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

Financial Performance

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

Medartis **OpEx-ratio** increased 5.8 percentage points to 82.8%. This increase follows the acquisition of NSI and includes personnel and other operating costs of the acquired company as well as one-off costs such as restructuring, legal and audit costs for the acquisition as well as write-off of old set inventories. It

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

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

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

Net financial result for 2022 amounted to CHF -5.2 million (2021: CHF -2.8 million). The higher financial loss includes CHF 0.9 million interest expenses accruals for NSI acquisition accounting (contingent consideration liabilities for potential future milestone payments¹⁾ and FX losses of CHF 3.2 million (2021: loss of CHF 1.4 million) due to the EURO weakness as well as the strong USD weakening at year-end. For the reporting period, Medartis records a **tax income** of CHF 1.4 million compared to a tax expenses of CHF 1.5 million in 2021. Although Medartis paid taxes in countries with a positive local result, the negative operating result in the US as well as the relief of tax assets from prior periods resulted in an overall positive tax income for the year 2022. As a result of all these factors, Medartis incurred a net loss of CHF 5.8 million in 2022 compared to a net profit of CHF 6.8 million in 2021. Excluding the aforementioned one-off effects, Medartis reported a net profit of CHF 1.5 million. Basic EPS decreased from CHF 0.58 to CHF -0.49 per share year-on-year.

Investments in CAPEX, NSI and KeriMedical

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

FULL-YEAR 2023 OUTLOOK (barring any unforeseen circumstances)

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

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



Emily Mugeta
Warehouse Specialist, Umkirch

Annual Highlights 2022

The year of Medartis' 25th anniversary was characterised by many events and accomplishments. We invite you to take a look at our highlights of 2022.



March

On 7 March, Medartis announced its acquisition of Nextremity Solutions Inc., a highly regarded MedTech company based in Warsaw, Indiana, USA. Nextremity Solutions specialises in design, development and manufacturing of indication-specific technologies for treatment of fractures and deformities in the upper and lower extremities. In line with Medartis' strategy and focus on extremities and CMF, this acquisition will accelerate Medartis' business in the USA as well as worldwide. All Medartis activities in the USA will be domiciled in Warsaw under one roof as of spring 2023.

June

Responsibilities were reorganised in the Asia-Pacific region (APAC) with the appointment of Kathryn Constance as Regional Director APAC and Chiew Leong Ong as International Sales Manager to support APAC distributor markets. Marcos Sylvestre was also appointed Regional Director for the Latin American market (LATAM) earlier this year. By regionalising sales-related functions, Medartis aims to increase its customer proximity and responsiveness in local markets. Local decision-making improves agility, flexibility and thus sales performance in designated markets.

August



Medartis reached another major milestone by becoming UK certified. UKCA (UK Conformity Assessed) is the new UK product marking required for medical devices marketed in the UK (England, Wales and Scotland), most of which previously required the CE mark. BSI, the UK's national standards body, conducted the extensive certification process.



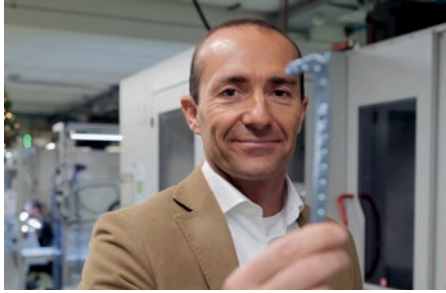
September

The popular IBRA Advanced Orthognathics course took place in Basel on 22 and 23 September and was fully booked within a very short time. More than 40 attendees from all over the world gathered for an intensive two-day seminar that included hands-on training in the University of Basel's Institute of Anatomy. The course program focused on planning, treatment concepts and surgical management as well as optimisation of aesthetic results in orthognathic surgery. Participants also enjoyed a visit to Medartis that encompassed a company tour and strategy presentation.

October

Medartis CEO Christoph Brönnimann and the Executive Management Board welcomed Indiana Governor Eric Holcomb, Indiana Secretary of Commerce Bradley B. Chambers, and a delegation from the Indiana Economic Development Corporation in order to explore future possibilities in innovation and talent development. Warsaw, Indiana, where Medartis' new acquisition is located, is commonly referred to as the "Orthopaedic Capital of the World". The visit was highly appreciated and an excellent opportunity to strengthen Medartis' relationship with business decision makers in the USA.





October

Mario Della Casa joins Medartis' Executive Management Board in the new role of Chief Operating Officer (COO), which entails global responsibility for purchasing, production, quality and supply chain. This new leadership position will drive and guide acceleration of digital processes in manufacturing, planning, logistics and more. Mr Della Casa's operational experience in manufacturing and supply chain as well as commercial expertise in the automotive and medical device industries make him a valuable addition to the team.

October

On the occasion of this year's annual meeting of the Small Advanced Economies Initiative (SAEI) in Basel, the delegates also visited Stücki Business Park with Medartis as a prominent representative of the medical technology sector. SAEI brings together seven countries of a similar level of economic and social development (Denmark, Finland, Ireland, Israel, New Zealand, Singapore and Switzerland) and enables effective networking and direct exchange on current issues thanks to its lean and informal organisational structure.



November

Medartis prides itself on its quarter century of innovation, precision and passion. Company founder and Board of Directors member Thomas Straumann and CEO Christoph Brönnimann expressed their deep gratitude and respect for Medartis employees at Medartis' 25th anniversary reception on 3 November at its Basel headquarters. In the evening, many guests from the areas of politics, science, business and medicine met in Basel's Fondation Beyeler to share their unwavering passion for the "symbiosis of industry and science", as Dr Straumann puts it.

November

Medartis supports National Future Day held every November throughout Switzerland. This event gives children insight into the working world and prompts them to think about what profession they would like to pursue in the future. Boys and girls also swap places to get to know the other gender's areas of work and to gain life experience. This opens up new horizons for the children and helps them develop the courage and self-confidence to take their future into their own hands without rigid gender prejudices.



December

After two years of planning and a test phase, the semi-automatic storage and picking system by Swiss manufacturer Kardex was launched. The 400 m² facility with around 6,000 storage locations in the form of rotating boxes make an important contribution to the company's delivery readiness and future growth. Earlier this year, we celebrated our clean room TÜV certification, allowing us to gradually transfer previously outsourced packaging of Medartis implants to the company's own premises in order to optimise cost efficiency and delivery times. In manufacturing, two new machines began operations in 2022, bringing the total number to 76 machines now compared to 22 machines in 2009.

The Medartis Vision, Strategy and Corporate Values

We believe that vision, mission and values are key elements of our organisation and strategic planning. They determine our company direction, shape our long-term strategy for where we are heading and create unity around Medartis' goals.

The right mindset and attitude are the basis of our ambition to introduce a high-performance culture at Medartis. Today's dynamic environment adds an extra level of urgency and complexity to this. We must react to sudden shifts in the marketplace or regulatory environment and external shocks as well as requirements of new business models. We are a fast-growing company in a dynamic market. That is why we strive to be agile and foster a high-performance culture. The characteristics of a successful company is that it adapts fast, sets clear priorities, empowers people and makes them accountable and takes risks. Furthermore, digital technologies, new hybrid work models and the changing nature of the workforce offer new opportunities and pose new challenges to the traditional leadership model. We are convinced that a strong corporate culture is key to Medartis' medium- and long-term success. Like any transformation, such changes do not happen overnight and must be built up carefully. According to research and literature¹, transformations stand the best chance of success when they focus on actions to change mindsets and behaviour. The right mindset is a prerequisite for the high-performance culture we are striving to build.

Our purpose inspires and unites us. **"Restoring quality of life"** is the overarching purpose we have formulated for ourselves.

Our vision: With our proven expertise, we collaborate with healthcare professionals to develop innovative technologies to improve surgical outcomes. Together we are setting new standards in patient care.

Our strategy: Medartis is a specialised orthopaedic company that develops innovative devices and offers meaningful solutions for extremity and head surgeries. As part of our strategy, we aim to become the innovation leader in these attractive segments of orthopaedics. This is a bold ambition, especially since we are up against large healthcare corporations that have more financial resources than we do, so we must leverage our speed and entrepreneurship, integrate them into our DNA and make sure that all of our teams understand our objectives and pull in the same direction.

Our mission: This vision is supported by our mission and values that apply to our daily operations. Committed people are at the heart of our mission. We are committed to the well-being of patients and provide medical specialists with innovative, high-quality and user-friendly solutions to improve surgical outcomes. We want to be an exciting company for our employees and partners, act sustainably and deliver value for our stakeholders.

Since our inception in 1997, we have worked closely with design surgeons to advance the standard of care and turn their ideas into reality. Everything we do, every product we make, and every service we provide helps medical specialists to achieve their goals and meet the expectations of their patients. We expand our business acumen by listening to surgeons and staff, developing new ideas together, caring about outcomes and challenging the status quo. We want to be the first place that surgeons or scientists turn to in order to create new product solutions. For our shareholders, it means sustainable returns from an ethical business that respects the rules and cares for its communities.

Strong Culture is Key to Strong Performance

In 2021, we formally started our journey to define a united Medartis culture and ensure that we live it every day. We want to create an organisation where learning and people are key to achieving sustainable high performance. For us, high performance means enabling everyone to do their best, optimally focusing our efforts and resources on aligned priorities, seizing opportunities in an agile manner, constantly challenging ourselves to improve and innovate, sharing openly, collaborating efficiently to avoid waste and continually delivering on our promises.

Three focus areas have been defined for our journey.

We want to foster a culture where:

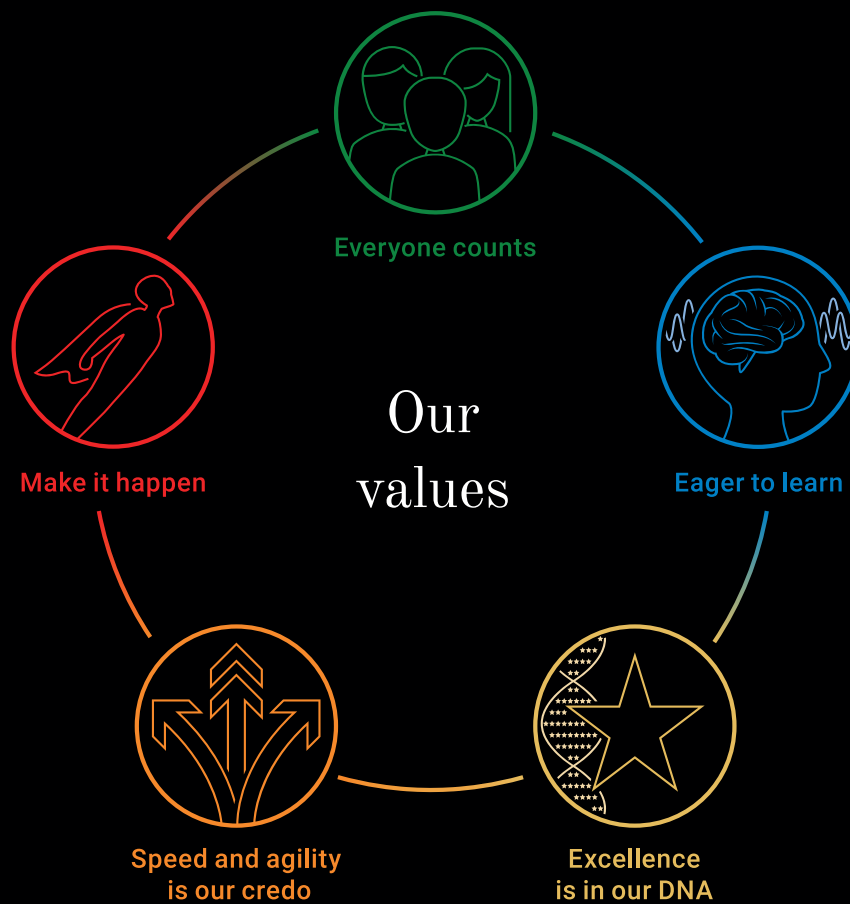
- people respect and trust each other,
- superior results are achieved thanks to clear focus, well thought-out risk-taking and quick action, and
- we speak up, challenge the status quo and take responsibility.

¹) McKinsey Quarterly: The psychology of change management

For this reason, we began our journey by introducing our leaders to the concept of ‘psychological safety’ and the ‘player-learner’ mentality, which will drive high performance and our future success. Player-learners inspire trust. They are full of energy and welcome change. They listen, explore, share, collaborate, take risks, find solutions, learn by doing, encourage others and celebrate successes. This mindset should be lived by all Medartis employees according to their function and skills. We rolled out the "player- learner" concept more broadly in 2022 and promoted it with workshops and other initiatives supported by the internal ‘culture champions’ at Medartis and a group of engaged leaders.

Values Built on Historical Virtues

We don't want to embark on our cultural journey without also seriously addressing beliefs and behaviour building. Our shared core values drive our daily actions and reflect the corporate culture that defines and unites us as a company across all brands and regions. Our values define the way we think and act, both as individuals and as a company. Building on the values that have made Medartis what it is today, we have revised and adapted them to the current market and corporate situation. This is why we are focusing on the following five values that apply to all our employees.



Everyone counts

We embrace a collaborative and inclusive environment, where everyone speaks up and contributes actively.

Eager to learn

We grow and develop by learning from experience and each other.

Excellence is in our DNA

We develop innovative technologies and deliver high-quality solutions which make a difference for our patients and customers.

Speed and agility is our credo

We adapt quickly, execute with excellence and a high sense of urgency.

Make it happen

We live a "can-do attitude", are empowered to make decisions and keep our commitments.

The Medartis Culture Journey

In 2021, Medartis made an important commitment to its employees with the launch of the Culture Journey, which aims to transform and adapt its corporate culture. The new culture strives to encourage and support entrepreneurial behaviour, collaborative leadership, risk-taking and high performance.

Medartis started its culture journey in 2021 with player-learner workshops for top and senior management, followed by seminars for middle management and culture discovery sessions for all employees in 2022. These workshops, an abbreviated version of the player-learner workshop for leadership teams, were conducted in all divisions and subsidiaries worldwide so that every employee can now better understand and personally shape the culture journey.

The key to achieving this culture lies in cultivating a player-learner mindset and the company's 5 core values. The latter are also reflected in key HR processes such as recruitment, promotion, talent management, as well as employee appraisals and annual goal setting. Medartis has developed supportive formats and exchange forums to embed and democratise the new values at various levels within the organisation. Regular meetings between managers and employees as well as various focus groups provide an open and constructive dialogue and direct feedback on employee engagement. As a result, Medartis has continued to organise Meet-the-EMB sessions, where select employees can exchange feedback and ideas with management in an informal setting.

Cultural change is not limited to people in formal leadership positions. Medartis has appointed more than 30 culture champions - employees and HR professionals who act as internal influencers to develop regional or local initiatives. In 2022, Medartis also conducted its second global employee survey, which is a key indicator of cultural progress, employee engagement and satisfaction. Almost 9 out of 10 employees provided feedback, making the results very meaningful. Employees also show a high level of engagement (76%) and are happy at Medartis. Measured against an international benchmark, our employees are satisfied with their work, engaged and identify with the company and our purpose. However, the survey also showed that we need to make decisions even faster, promote the 'speak up' culture and improve the flow of communication between the different levels of management.

To close this gap, we have already identified a number of initiatives, some of which have already been implemented. The results of the survey were then discussed by all teams worldwide. Actions were defined to make continuous improvement an ongoing routine.



Singing our culture: Medartis employees from around the world participated in an engaging song and video to celebrate the company's 25th anniversary (pictured: Medartis France). On the right: Team Medartis Brazil forms a capital "M" as in Medartis.





Medartis and the IBRA: A long-term partnership for the benefit of patients

The International Bone Research Association (IBRA) is an independent, non-profit organisation founded by surgeons for surgeons. For more than 18 years, Medartis has been working closely with its scientific and academic partner, IBRA, to promote evidence-based orthopaedic procedures and solutions for patients.

Since its inception in 2004, the partnership has intensified over the years and activities have expanded geographically. IBRA's broad professional network provides Medartis with special insight into customer needs and development opportunities. IBRA's mission is to promote the professional development of its members for the benefit of their patients. It supports surgeons and allied health professionals through continuing medical education programmes, research projects and professional exchange opportunities for physicians from around the world. IBRA's primary objectives are to promote, develop and disseminate knowledge of orthopaedic surgery of the upper and lower limbs and the head, with a focus on

- Bone biology, including osteointegration, bone generation, and soft tissue reaction
- Maxillofacial and orthopaedic rehabilitation
- Materials research including hardware development
- Biomechanics
- Tissue engineering
- Surgical procedures & clinical management

The common goal of the partnership between IBRA and Medartis is to offer scientifically founded treatment solutions and high-quality products along with first-class service.

Organisational structure and activities

The 10-member Board of Directors represent all IBRA members. It is supported by the Research & Education Committees Upper Limbs, Lower Limbs, and Head as well as by the IBRA administration office.

The organisation has grown considerably in recent years. To ensure full-time availability for its members who live all over the world, it was decided to sub-divide IBRA into regional sections. This way, IBRA offers its members more decision-making opportunities relevant to their respective continent(s). The regional research and education committees are therefore composed of representatives from different countries. The first step in this direction was taken with the establishment of the IBRA Chapter North America in 2019, which represents the largest orthopaedic market worldwide. Additional regional chapters are planned for the coming years.

IBRA's main activities are seminars, practical surgical workshops, national and international congress sessions, online courses and webinars, as well as fellowship programs and research projects. The courses are categorised based on the experience level of the participants to provide options for surgeons at different stages of their careers.

The range of live and on-demand online learning materials has expanded considerably over the past two years, resulting in the launch of the IBRA Virtual Campus in 2021. Through this online learning platform, all IBRA members worldwide have free access to recorded webinars and virtual courses, educational videos, and scientific articles. The Virtual Campus is complementary to the existing training and education offering and is an important component in IBRA's expansion strategy.

A total of 40 courses were held in 2022 in various cities around the world, with a total of around 1400 participants, two-thirds of whom participated in hands-on training. Individual IBRA membership grew by 32% over the previous year, reaching over 2300 members from more than 60 countries by the end of 2022.

IBRA North America

In 2022, William Seitz, Jr., MD, was nominated as the first IBRA North America Ambassador. His role includes chairing the newly developed North America Upper and Lower Limbs Research and Education Committees (REC). Under the guidance of Dr Seitz and the RECs, IBRA North America aims to develop the IBRA chapter



Dr William Seitz, Jr.
IBRA North America Ambassador

to serve the unique needs and requirements of the North American orthopaedic community.

In 2023, IBRA North America plans to double its course offering from 2022 with a total of 6 Advanced Level Upper and Lower Limbs Courses for chief residents, fellows, and attending surgeons. Additionally, the chapter will focus on adding new training centres for collaboration, expanding its membership base, and building awareness of IBRA North America in the US market.

discount on all courses. In addition, full members constitute the “voting body” of IBRA’s Annual General Meeting. The steady growth in membership is largely due to the expanded online activities as well as the expansion efforts in Asia, Australia, and the Americas. It underlines the success of the IBRA’s undertakings and the need for peer-to-peer education and knowledge transfer. New training centres have been established in these regions, participation in local congresses has been increased and a greater variety and number of courses have been organised.

Three different membership categories

IBRA lives for and from its members. Interested parties can choose between three different membership levels:

Basic membership

On the IBRA entry-level, all health professionals in orthopedy and/or traumatology can join by mouse-click through the IBRA website. The new IBRA member gets regular updates on IBRA events, access to the Virtual Campus, and contact options to others members. The Basic membership is free of charge.

Full membership – benefits for regular course participants

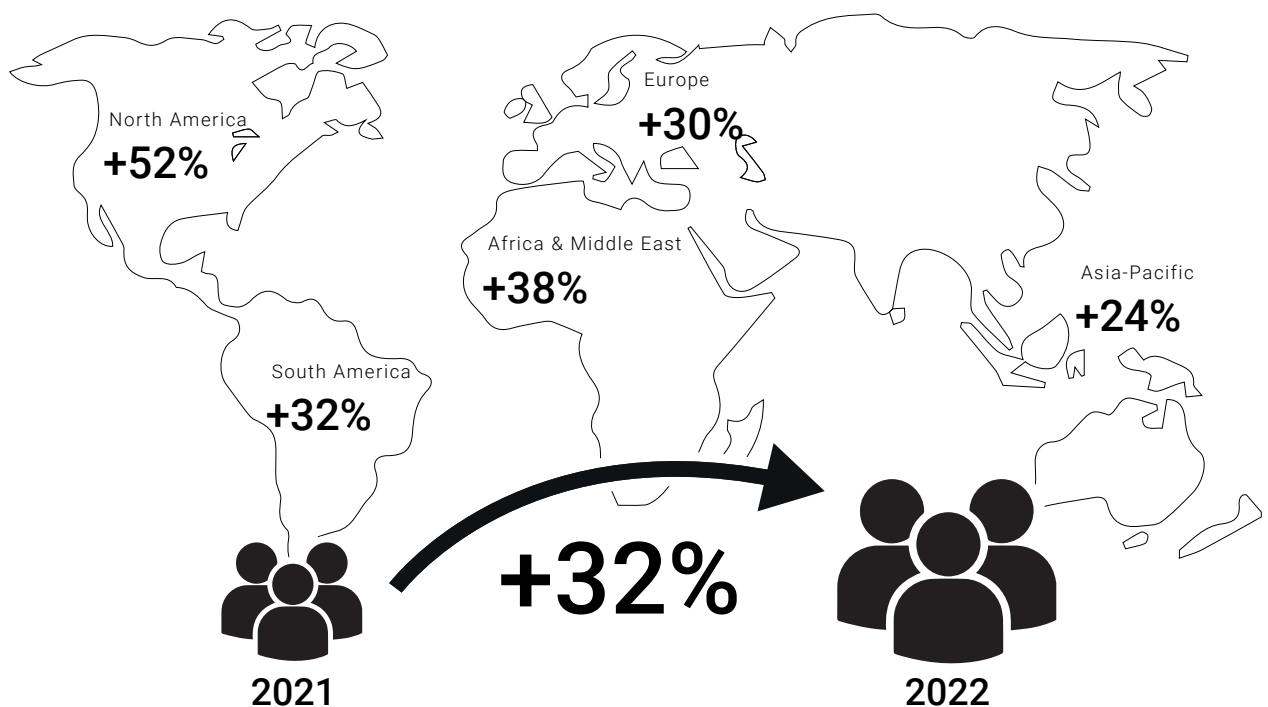
This category is open to surgeons only. Full members have access to courses of various levels and benefit from a 50%

Premium membership

Premium membership is offered for surgeons who joined at least once our faculty or become Board members. It includes all benefits of Basic and Full membership and is lifetime free of charge.

Expansion of activities

IBRA intends to further expand its activities in all three segments in 2023. This will enable more IBRA member exchanges within a country or region as well as make it easy to participate in on-site events. In cooperation with the more than 50 IBRA training centres, interactive virtual events will continue to be offered in various languages (mainly English, German, Spanish, and Portuguese).



2022 year-on-year change in the IBRA membership



“Hallux arthrodesis is the gold standard in the treatment of painful end-stage osteoarthritis of the big toe. In contrast to fusion with screws, the APTUS Hallux Arthrodesis plates by Medartis provide a stronger biomechanical construct, which mean greater probability of success as well as higher patient safety. When you can successfully help and treat patients who push their physical limits, it's highly rewarding for the doctor as well.”

Prof. Dr. Dr. Victor Valderrabano
Specialist in Orthopaedic Surgery and Traumatology



Watch the video of Peter
and his passion for running.



Patient story

"I am able to run a 100 kilometre race again."

Peter Neuenschwander loves ultra runs. The supreme discipline of these running events is the 100-kilometre ultramarathon. His love for the sport began when he was 14 years old. Since then, it has become more than just a sport for him. "The ultramarathon is a very important part of my life and to me it means freedom!" he says. Peter completed several ultramarathons in his life before his bunion problems, which stemmed from a motorbike accident in his teens, worsened and prevented him from running, even short runs. They also significantly affected his daily life. After having an operation to stiffen his metatarsophalangeal joint (hallux valgus arthrodesis), he can run again. In the same year as the operation, he was able to complete in an ultramarathon in Switzerland again. A motivated patient, an experienced surgeon, and state-of-the-art Medartis implants were the recipe for his accomplishment.

Sustainability at Medartis

The trends of recent years and the advent of new regulations have confirmed the importance of making environmental, social and governance (ESG) principles integral to the way Medartis does business and reflect it in its corporate culture. Sustainability was and will continue to be an integral part of how Medartis sources, designs, manufactures and distributes its solutions with the goal of improving the carbon footprint and circularity of its operations. Medartis acts according to its stated mission: "Restoring quality of life". Although patients and its immediate customers – surgeons and healthcare professionals – are at the centre of its thinking, it also considers other stakeholders and social aspects relevant to creating holistic value for its shareholders and society as a whole.

Formal requirements and regulatory frameworks for environmental and social reporting are increasing, especially for listed companies that operate internationally. This is no longer limited to large companies in high-impact industries. The year 2022 has shown in an exemplary way that the globalised world is highly interconnected; geopolitically, socially as well as environmentally. Events in one place in the world can quickly start a conflagration and impact demand, supply and inflation, even though Medartis' business model is largely based on trauma surgery and is therefore more resilient than other businesses.

At Medartis, the goal has always been to work closely with surgeons to develop highly accurate and innovative products that make a positive contribution to patient outcomes and quality of life. At the same time, Medartis strives to make a positive contribution to society by ensuring that the benefits of its actions exceed the resources it consumes. Since its inception 25 years ago, Medartis has always been on the lookout for ways to reduce its regional footprint and make improvements for its employees and other stakeholders. In order to increase transparency and make the measures accessible to external stakeholders, Medartis has now published this special ESG chapter for the second time. Each year it becomes more comprehensive and detailed. In 2022 it comprises energy figures of Scope 1 and 2 and material consumption of all Medartis sites worldwide (previously only Switzerland) and the CO₂ balance was calculated based on recognised scientific standards.

Medartis favours a system that relies on accountability and self-initiative. Medartis will therefore continue to drive its own transparency and monitoring over the coming years. In 2023, Medartis will also review its processes to assure broad alignment with the United Nations Global Compact (UNGC) and identify any opportunities for improvement. Aligning its existing initiatives with the United Nations Sustainable Development Goals (SDGs) is the obvious next step. In addition, Medartis will engage in dialogue with its stakeholder partners and upstream suppliers to achieve systematic improvements throughout the entire value chain. To meet the increasing requirements in a timely manner, Medartis created a Sustainability Supervisory Board and an ESG Committee in January 2023. This Board is led by Medartis' Board of Directors under the direction of Nadia Tarolli Schmidt and the

Committee consists of three EMB members. Chief Operating Officer Mario Della Casa heads up the new processes while the senior and middle management team is involved in different areas. The table below shows the allocation of sustainability responsibilities at Board, management and functional levels.

Supervisory Board (Board of Directors)	Nadia Tarolli Schmidt	
ESG Committee (EMB)	Mario Della Casa (Lead) Anthony Durieux-Menage Mareike Loch	
Project Core Team	Axel Maltzen (Operational leader)	
	Medartis subsidiaries	Commercial
	Production Basel, CH	Production Warsaw, US
	R&D	Human Resources
	Purchasing	Legal & Compliance
	Project Coordination	Communication / Reporting

Material sustainability aspects are reviewed regularly by the Finance and Audit Committee of the Board (FAC). In 2023, Medartis will also introduce a more formal reporting process based on the internationally recognised GRI sustainability reporting standard. GRI is a non-profit, multi-stakeholder organisation that provides companies with a systematic basis for informing stakeholders on corporate responsibility in a concise and comparable manner.

Relevance and sustainability analysis

The key topics identified in the 2022 assessment are displayed in the illustration on the next page. By addressing and reviewing these topics regularly, the company ensures long-term performance, identifies high-level risks and opportunities, and strengthens relationships with its stakeholders. The relevance and sustainability overview is based on a top-down assessment of key decision makers within the company. In future, Medartis also wants to include an outside-in perspective by integrating

external stakeholders and selected managers into the discussion. To reduce its environmental impact, Medartis has identified the following footprint areas, which mainly relate to a responsible production and supply chain:

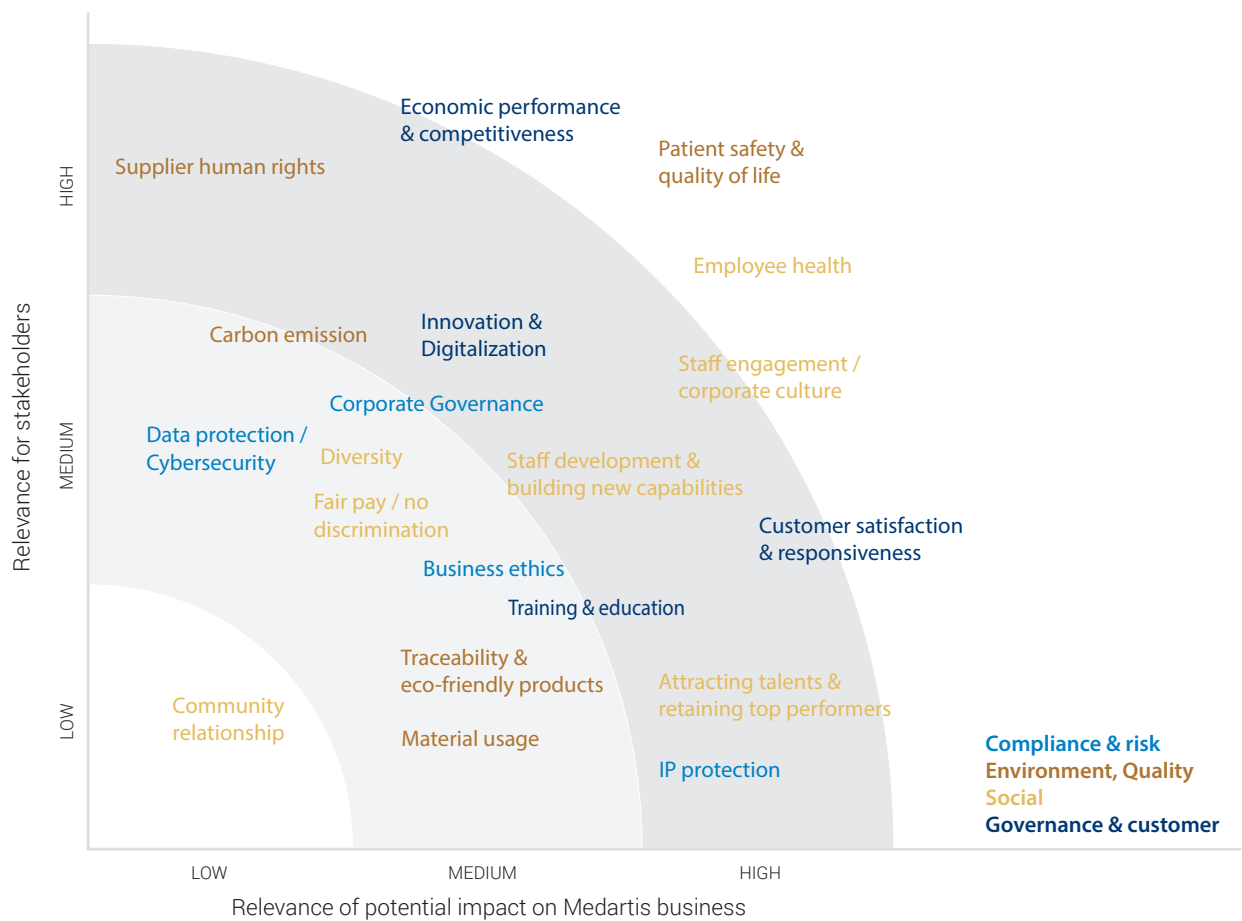
- Energy efficiency and substitution of carbon energy
- Reduction of scrap rates
- Traceability and eco-friendly products
- Recycling of used raw materials and reduction of auxiliary materials
- Smart design and packaging
- Further improvements in production efficiency and conversion to paperless processes

For these areas, it will measure its impact in terms of carbon, volume, circularity and other environmental indicators. In 2023 the company will refine the process by including the following stakeholder categories:

- Customers
- Employees
- Academia and opinion leaders
- Shareholders / owners
- Patients
- Suppliers / partners

Additional stakeholder groups include:

- Media representatives
- Notified bodies
- ESG and governance rating agencies
- Industry associations
- Regulators



To understand their specific needs, Medartis fosters interactive dialogue and a feedback culture on many levels and through various channels. Here are two examples of how stakeholder demands can change and evolve.

- A) A few years ago, portfolio managers were mainly interested in share price development, payout, ROIC and good business practice, while ESG criteria were only used as a means of exclusion in the event of serious violations. Today, ESG topics have become an integral factor for most investors. ESG analysis is often delegated from portfolio managers to dedicated rating agencies, which assess companies according to standardised criteria.
- B) With the advent of international hospital networks and outpatient treatment centres, reproducible, reliable and more affordable treatment options have become more important. These networks, many of which belong to large, international companies, are increasingly focused on sustainability, and ethical supply chains are gaining in importance.

As for the environment, the company has also identified activities and initiatives that focus on enhancing the positive impact on employees, customers and society:

- Staff engagement/corporate culture
- Diversity
- Customer satisfaction and responsiveness
- Employee health
- Attracting and retaining talent and top performers
- Corporate governance
- Fair pay and gender equality

Production and Supply Chain

As a responsible company, Medartis wants to regularly monitor and optimise its environmental performance to understand the impact from its operations and to also identify opportunities to reduce its footprint. Climate protection is a global task that calls on all companies and countries to act. Global warming, emissions from production resources, and economical use of non-renewable resources are global issues that need to be tackled collectively. Medartis is keen to do its bit in bringing about such improvements. This means tackling key issues such as:

- reducing our carbon footprint
- using renewable energy along our value chain
- reducing waste
- optimising our packaging (reusable or recyclable)

- use of titanium as our main raw material from reliable sources (US, Japan) only








Surgical plates, screws, surgical guides and jig instruments are the principal products of Medartis. They are produced from titanium derivative rods or metal blocks on CNC milling and turning machines. In the manufacturing process, water-based emulsions and cutting oil are used as cooling agents during the fabrication process, followed by cleaning, packaging and sterilisation. CNC machines and sterilisation are powered mainly by electricity. Other indirect production activities relate to metal instruments and surgical containers for use in surgical procedures in hospitals or other inbound treatment centres.

Medartis currently manufactures its standard portfolio of plates and screws centrally at a single site in Switzerland, which meets high Swiss production standards. With the acquisition of Nextremity Solutions Inc. in May 2022, a second production site in the USA (Warsaw, Indiana) was added. Medartis now also produces drilling aids, jigs and implants for foot and ankle surgery. In order to optimise the distribution of its production volumes and also to optimise its global production footprint, From 2024, Medartis will also manufacture some of its traditional plates and screws in the US.

Compared to manufacturing companies in other industries, the footprint in terms of energy consumption, material use and emissions is relatively modest. Its core activities in metal processing are highly automated, efficient and run 24/7. Medartis also does not source critical raw materials, alloys or auxiliary materials consisting of tin, tungsten, tantalum or gold as defined in the "Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour" (DDTrO). In the case of alloys or derivatives, the limits set by this ordinance are not reached by Medartis. With regard to child labour, Medartis assesses the risk as very low. Medartis does not source its raw materials from countries classified by the UN, ILO or Unicef as high-risk countries in the relevant area (non-agricultural sectors). The company also requires its suppliers to ensure that sources are traceable and that child labour is prevented along the value chain. This survey and the company's own assessment are repeated regularly.

Medartis upholds its commitment to operate in an environmentally responsible manner. It achieves this by focusing on the areas where actions and measures will have the greatest impact. Since Medartis wants to gain more clarity about the cost-benefit balance of individual measures, especially abroad in its sales subsidiaries, the implant maker has not yet set itself any official volume targets. For the time being, the key priorities remain resource efficiency, energy, water consumption, and waste management. Medartis' biggest environmental impact (Scope 1 and 2) occurs during the production of final or semi-finished products.

Production and environmental KPIs

			HQ and Swiss manufacturing 2021	HQ and Swiss manufacturing 2022	Total incl. all subsidiaries 2022
	Energy				
	Electricity	MWh	4,416	4,738	6,064
	Heating	MWh	1,080	784	784
	Natural Gas	MWh	-	-	484
	Cooling	MWh	932	1,289	1,289
	Machine hours	Hours	172,144	223,783	264,603
	Water				
	Water consumption	m3	5,571	6,051	6,773
	Consumption per day	m3	15.3	16.5	18.6
	Cooling water flow rate	m3	177,643	169,611	169,611
	Cooling water per machine hour	m3/hours	1.0	0.76	0.76
	Compressed air				
	Compressed air ¹	m3	7,318,153	7,992,273	-
	Energy efficiency ¹	Joule per litre	391.2	389.7	-
	Recycling / reusable materials				
	Titanium recycled (net)	Tons	14.4	16.7	17.6
	Steel recycled (net)	Tons	-	-	6.9
	Brass recycled (net)	Tons	-	-	0.8
	Paper / cardboard ¹	Tons	6.5	24.4 ²	-
	Paper / cardboard per capita	kg/employee	21.1	75.8	-
	Office paper consumption ¹	million sheets	1.6	1.7	-
	Office paper per capita	sheets/employee	5,550	5,280	-
	Special waste				
	Aqueous rinsing liquids	Tons	107.7	96.0	96.0
	Cooling emulsion (for milling machines)	Tons	30.8	42.5	42.7
	Cutting oil (for CNC machines)	Tons	1.4	3.4	3.64
	Other waste requiring control				
	Electrical appliances (SWICO goods)	Tons	0.5	1.7	1.7
	Wood	Tons	8.8	10.2	10.2
	Others	Tons	0.0	0.1	0.1
	Residential waste				
	Sweepings ¹	Tons	21.5	33.8 ²	-
	Sweepings per capita	kg/employee	76.6	105	-

The table shows the production and environmental KPIs of Medartis. As Medartis took over the production site in Warsaw IN during 2022, the types of recycling documented there differ from those recorded in Basel, so not all categories are available.

¹ This KPI is currently only collected at the largest facility in Switzerland.

² The significant increase in paper and commercial waste in Basel is due to the clearing of a floor for the construction of a bioskills laboratory. This resulted in 31 pallets of paper being recycled from the archive (approximately 11.5 tons). In addition, approximately 10 tons of commercial waste (sweepings) were recycled from the archive. It should also be noted that the proportion of remote working has decreased significantly in 2022 due to the easing of the Covid situation, which means that commercial waste has generally increased compared to 2021.

Energy efficiency

In 2019, Medartis decided to enter into a target agreement with the Swiss federal government to increase energy efficiency with the help of the Energy Agency for Industry (EnAW). In this way, Medartis is making a significant contribution to government efforts to use energy efficiently and reduce greenhouse gas emissions.

Medartis Switzerland receives its district heating from the local energy supplier IWB. It is produced at the waste incineration plant in Basel from waste incinerated there, mainly domestic waste. This district heating product is 100% CO₂-neutral and is used in both the production and administrative areas of the building. The waste heat from the industrial plants is not only used for heating, but also for cooling, thanks to the largest absorption chiller of its kind in Switzerland. The corresponding district heating powerbox has been certified by TÜV Süd. In addition, Medartis obtains 100% of its electricity from renewable sources, for the most part from hydropower. This makes the Medartis headquarters in Basel CO₂-neutral.

Intelligent building controls allow us to make efficient use of a wide range of applications. Saving energy without compromising quality – this also applies to the use of electrical energy. LED technology is used consistently in all conversion and renovation work. Whenever



IWB Powerbox, Stücki Business Park



Certificate of Energy Agency



Energy certificate TÜV Süd for IWB

INSIGHT TALK

Dr Paulina Witt: How eco-friendly is orthopaedic surgery and what can be done to make it more sustainable?

Dr Paulina Witt is a consultant hand surgeon working at the NHS Royal Devon & Exeter in the UK. She was one of the study leaders of a global survey under the patronage of FESSH (European Societies for Hand Surgery) on the emerging topic of ESG and "green surgery".

How much greenhouse gas is emitted on average during a hand operation?

This is a question that is really difficult to answer, we are still at the beginning of understanding and hand surgery itself is a very diverse field. It ranges from very complex reconstructions or replanting of limbs to simple carpal tunnel decompression. Literature suggests that a surgery is estimated to produce 150 to 270 kilograms of carbon dioxide equivalent (CO₂-eq). That equates to drive from London to Edinburgh in a petrol car versus estimates from another study that say carpal tunnel decompression would generate on average approx.60 kilograms CO₂-eq. In this case it appears to be dominated by processing and facilities related factors.

Some surgeons and hospitals are promoting local rather than general anaesthesia. Where do you see the role for the often cited WALANT approach (Wide Awake Local Anaesthesia No Tourniquet), where the patient is awake under local anaesthesia?

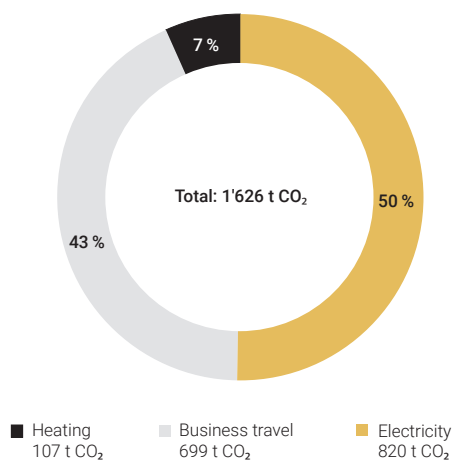
Hand surgery is in the unique position of only requiring an isolated body part as the surgical field. Avoiding the need of volatile anaesthetic gases significantly cuts down on the carbon footprint due to their large greenhouse effect. Anaesthetic gases are estimated to represent 5% of the carbon footprint of the NHS, so that's quite substantial and a single inhalation anaesthesia appears to be equivalent to 22 kg of CO₂-eq. Due to the COVID-19 pandemic, we've actually seen a significant surge in these non-drug general anaesthesia approaches to surgery, especially in the hand surgery and a trend away from main theatres. So there is very open horizon to what will be possible with regards to surgical procedures under WALANT regional and blocks.

possible, we try to purchase equipment with the highest energy class. Wherever it makes sense, we use motion detectors for lighting in our headquarters. In 2022, we have replaced a large part of the lighting in our headquarters with LED bulbs.

Monitoring of carbon footprint

Since 2022, Medartis has been working with Swiss Climate, a agency in the fields of CO₂-management, sustainability, CO₂-offsetting and energy, to prepare its carbon footprint. By recording Scope 1 and Scope 2 emissions, Medartis has established a first starting point for its CO₂-balance and has already identified potential for improvement. Further steps will be taken in the future, in particular with regard to the inventory of Scope 3 emissions.

This carbon footprint has been prepared in accordance with the International Organization for Standardization (ISO), standard 14064-1: "Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (2018)". CO₂e-emissions are calculated and reported in accordance with the principles of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition) based on ISO 14064-1. Emissions are



categorised into three groups: Scope 1 covers direct emissions from owned or controlled sources, Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company, and Scope 3 includes all other indirect emissions that occur in a company's value chain.

The Scope 1 and 2 CO₂-emissions per Medartis employee in

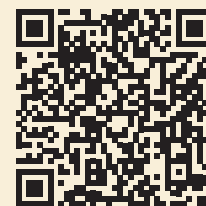
In the UK, the trend towards sterile packaging is more pronounced than in most other countries. Is there a trade-off between infection risk and environmental matters?

Yes, there is a trade-off between the two. The question being asked would then be, whether it is justified. Obviously for me as a surgeon, paramount is achieving and maintaining a low infection risk. Patient safety is the ultimate goal. If we look at surgical practice and infection risk across the globe, there's a huge variation internationally within hospitals, between hospitals and even between individual surgeons in each hospital. So we need to really start to benchmark and set out standards. A migration to single-use, individually-wrapped, pre-sterilized small orthopaedic implants actually came to play based on a Scottish Department of Health executive in 2006, where concerns were raised regarding potential contamination, residual organic matter in the re-sterilization process and issues with regards to corrosion of the implants. But that is now 17 years ago. I think this definitely needs to be addressed in further research.

Where do you think the implant suppliers have the greatest leverage in reducing waste during a surgery?

The greatest leverage of the industry is actually to realize their

key role in the supply chain. The industry itself determines what products are available to the consumers. We are all part of one large supply chain and we all have an obligation. So the same multilevel approach would apply to the industry. Carbon footprint mapping, offset procurement and supply chain, research with regards to the requirements and best practice of sterile packaging, but also supporting clinicians to establish evidence based best practice and evaluating alternatives. It is worthwhile exploring the sterile barrier systems for reusable bags, for example, steel containers versus single use wraps, polypropylene wraps. So all of these are little things that need addressing reusable material, fatigue, reprocessing, and it might be worthwhile to integrate carbon footprint analysis or life-cycle analysis into current practice, research and then educate, engage and lobby.



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our website [medartis.com](https://www.medartis.com)

2022 were roughly two tons. Empirical data shows that Scope 1 and 2 emissions from companies in the healthcare sector account for approximately 15% of total emissions. The vast majority of emissions come from upstream Scope 3, which includes emissions from purchased materials, capital equipment and the global supply chain.

CO₂-balance by scope and type

Scope 1 (direct emissions)			
Source	Unit	Quantity	Tons of CO ₂
Heating			
Natural gas	kWh	236'537	48
Heating oil	kWh	216'342	58
Subtotal			106
Electricity, own production			
Subtotal			0
Business travel (company-owned vehicles)			
Petrol-powered vehicles	l	63'364	152
Diesel vehicles	l	176'082	468
Gas-powered vehicles	kg	1'328	4
Hybrid vehicles	km	381'000	55
Ethanol-powered vehicles	km	134'281	10
Subtotal			689
Total direct emissions			795
Scope 2 (indirect emissions)			
Source	Unit	Quantity	Tons of CO ₂
Electricity consumption			
Mix	kWh	1'569'852	818
100% renewable	kWh	4'963'674	2
Subtotal			820
Heating			
District heating	kWh	784'255	0
District cooling	kWh	1'289'143	0.07
Electric heat pump	kWh	44'030	1
Subtotal			1
Business travel			
Electric vehicles	kWh	18'000	10
Subtotal			10
Total indirect emissions			831
Total emissions (Scope 1 and 2)			1626

The term CO₂ is used synonymously with CO₂e and means the sum of carbon dioxide and other emissions, e.g. methane (CH₄) or nitrous oxide (N₂O).

Use of materials

Medartis' main materials are titanium and the respective alloys TAN and TAV. On average, approx. 90% of the residual quantities generated in the production process are recycled. For this purpose, Medartis separates metal chips and swarf from the oil residues that arise in the manufacturing process.

In H2 2022, all frequency converters at the Basel site were replaced and checked, optimised and harmonised the operating parameters of the ventilation systems. The times of active ventilation on the office floors were minimised, and the temperature was reduced by about 1 degree. Also in view of a possible power shortage in Europe after the outbreak of war in Ukraine. These measures will have a positive impact on our carbon footprint.

Previously, gas cylinder bundles, which contained argon gas used in the laser cutting of titanium sheets had to be replaced every two days. In 2022, Medartis installed a fixed gas tank that is filled every 4-6 weeks by a gas carrier, thus reducing transport considerably. This is another step towards energy efficiency at the Basel site.

By consolidating our two US sites into a single location in Warsaw, Indiana, Medartis will optimise its logistics chain in the USA, reduce transportation of goods between the sites and save energy by operating only one site instead of two.

In 2022, a pilot project was launched with the 'Eco House Recycling' company. Collection bins are located throughout the headquarters building in Basel. This expands the recycling options available to employees, from empty PET bottles and paper to plastic containers, tin, polystyrene, beverage cartons, ink cartridges and much more. This local company is associated with Atelier93, a community service programme that aims to reintegrate job seekers into the primary labour market as quickly as possible, and the Bürgerspital Basel, the region's largest employer of people with disabilities.

Code of Conduct

Environmental stewardship is part of Medartis' training and education activities. It is also embedded in the guiding principles of the company's Code of Conduct, which encourage management, employees and suppliers to integrate environmental protection into their daily responsibilities. Nowadays, supply chain networks are under increasing scrutiny to fulfil social and environmental responsibilities, which spurs us on to examine upstream (supply) and downstream (demand) implications.

For partner companies and upstream suppliers, Medartis uses the Corporate Social Responsibility Code, which specifies its expectations regarding environmental protection in addition to social and legal requirements, and is available on the company's website. These provisions are a supplementary component of supplier contracts and are also subject to subsequent random checks. Medartis requests certificates from suppliers to confirm compliance. These suppliers also have to respect the ETI Base

Code (www.ethicaltrade.org), an internationally recognised code of labour practice founded on the conventions of the International Labour Organization (ILO).

In 2022, the main challenges for Medartis' operations were global supply bottlenecks as well as rising energy and freight costs, which made the environment for its production teams even more difficult. In the past years, Medartis also focused on protecting its personnel from COVID infection in the workplace by continuously updating and implementing a safety concept as well as conducting information campaigns to encourage the workforce to be cautious outside work as well and get vaccinated. Thanks to these measures, far-sighted planning by management and the safety stock of core raw materials, Medartis ended the past year without any significant supply shortfalls. Thanks to lean management and further process optimisation, it increased its underlying production efficiency and offset higher freight costs and FX headwinds.

Although the production workforce in Switzerland remained more or less stable at approximately 90 people, output in 2022 increased by more than 20% to over 3.7 million plates and screws produced at its principal production facility in Basel.

Focus on automation

With more than 20 years of production experience, Medartis is constantly challenging itself to eliminate waste and steps that do not add value. It is continuously looking for ways to use new technology to improve product attributes, reduce machine times, lower raw material input and manual labour, and improve the workplace (lean management). More output with the same resources puts Medartis in a position to minimise its environmental footprint.

With an organic growth profile several times higher than GDP, Medartis is focusing on relative energy efficiency rather than absolute energy demand. With this goal in mind, the company is continuing to introduce automation and technology in its factory to ensure precise, time-saving and low-waste production of its screw and plate implants. The introduction of automation enables real-time adjustments for optimal efficiency and helps the company to shift responsibilities from low-skilled manual labour to monitoring, supervision and validation of equipment. Below are some examples that Medartis is currently implementing:

- An important milestone in 2022 was the roll-out of the new cleanroom, which will provide greater production flexibility, reduce transportation and throughput times. The new addition to the modern facility in Basel will enable Medartis

to reduce the cost of packaging and labelling non-sterile and sterile implants by an average of 20-40%. Production lead times will be reduced by up to five days. The cleanroom was certified by TÜV in April 2022. A process based on ultrapure water and ultrasonic has been validated for final cleaning before products enter the cleanroom, which eliminates the need for chemical detergents and thus improves the environmental footprint. The water used in the cleanroom to wash the implants must be changed frequently, but the waste water can be returned to the normal water cycle. The introduction of in-house final cleaning and packaging eliminates the need for daily transport to suppliers and ensures that these production steps are carried out in a carbon-neutral manner.

- After two years of planning and a test phase, the semi-automatic storage and picking system by Swiss manufacturer Kardex was launched in December 2022. The 400 m² facility with around 6,000 storage locations in the form of rotating boxes make an important contribution to the company's delivery readiness, while maintaining the same number of employees and double the utilisation of the warehouse space.
- With the introduction of a fully-automated measuring cell in screw production, the operations team was able to reduce the measuring times for the quality inspection of its screws by 25%, increase the quality of the measurements and also introduce non-destructive testing, which significantly reduces scrap rates.
- By digitalising its production processes, Medartis aims to significantly reduce administrative work, increase the quality of documentation and traceability, and save valuable paper resources with paperless production. After the implementation of a paperless warehousing, Medartis will focus on paperless documentation of purchased products and digital packaging/labelling processes in 2023.

No compromise on quality and safety

The integrity of Medartis products and the health and safety of patients are paramount and are supported by state-of-the-art quality management systems in production and development. Medartis medical devices are subject to regulatory surveillance at a global level by the appropriate competent authorities. Notified bodies and approved bodies routinely verify that Medartis' processes and products comply with applicable standards, guidelines and regulations from the initial concept for a product to the end of its lifecycle. The product lifecycle is comprised of the following main steps:

- Product idea
- Product development and design control
- Transfer of the design to manufacturing
- Supplier management
- Monitoring of process stability
- Overall risk management
- Pre-and post-market clinical studies
- Regulatory submissions
- Supervision of sales activities, downstream marketing
- Post-market surveillance

Management is responsible for implementing legal requirements, and controls are in place to ensure product safety in the work environment. The company also applies risk management and design control processes to product development.

Medartis further specifies and verifies strict requirements in terms of product traceability and the validation of sterile and non-sterile implants. In addition, the company attaches great importance to possible corrective and preventive actions should they be necessary. Medartis AG maintains a quality management system certified by TÜV Rheinland LGA Product GmbH in accordance with EN ISO 13485:2016, with validity until 3 February 2026 (reg. no. SX 1809678-1). TÜV Rheinland LGA Product GmbH certified Medartis AG as compliant with the Medical Device

Regulation (MDR) 2017/745 on 21 April 2022, valid until 29 December 2026 (reg. no. HZ 1809678-1), EUDAMED single registration no. CH-MF-00002291.

In the US, Medartis medical devices are regulated by the United States Federal Drug Administration (FDA). Implants and specific instruments are subject to premarket notification submissions. Medartis carefully monitors changes within the regulatory environment in relevant markets and ensures that the products it sells meet the local requirements. In markets where Medartis products are sold indirectly through distributors, the partner company assumes this obligation.

Data Protection and ICT Security

Protecting the processing of individuals' personal data is not only legally binding, but also extremely important to Medartis and its companies. We treat personal data with the utmost care and respect. We protect it against manipulation, loss, destruction and unauthorised processing. We process it lawfully, comprehensibly and in good faith. Personal data are collected and used only if there is a purpose based on a defined legal basis. Medartis appropriately processes and protects personal data that are by nature extraordinarily sensitive with regard to fundamental rights and freedoms.

Excellence is in our DNA

With almost CHF 30 million invested in modern machinery at its headquarters in Basel, Medartis has ensured that it has the necessary tools to produce implants with outstanding precision. The company also places great emphasis on highly trained staff and strict manufacturing tolerances. Last November, Medartis installed two new lathes in its screw production facility on the 3rd floor of its Basel headquarters. Despite the significant undertaking of installing new equipment, the company's excellent organisation and preparation ensured that ongoing operations were not disrupted.



Our data protection principles and rules are anchored in processes and guidelines. A data protection management system has been introduced for this purpose and is continuously being improved. Medartis takes suitable measures to fulfil legal requirements for confidentiality, integrity, availability and resilience. Procedures for regular review, assessment, evaluation, data protection-friendly default settings and order controls are also included in these measures.

In the context of processing activities that will be legally recorded, risk assessments are carried out with regard to the data subjects. Our external data processors are continuously monitored and legally required contracts are concluded after careful examination. Particular attention is paid to the transfer of data to third countries where there is insufficient data protection according to the EU Commission. If a data transfer to such a country is unavoidable, we ensure compliance with legal guarantees including EU standard contractual clauses.

Data protection awareness is spread by appropriate training and further methods. Last year, the company trained around half of all employees in this regard. One example of the fact that data protection has become increasingly important is that in 2022 more than 60 data protection topics were defined that are directly related to our business activities. Medartis has created a communication channel on its website that is dedicated to receiving communications and requests from data subjects concerning applicable data protection laws.

ICT Security

The IT environment is constantly evolving as it becomes more complex and more intuitive. It is also harder to provide ICT services that comply with ICT security and various data protection regulations worldwide. In order to continue to ensure ICT security and data protection, Medartis invests in state-of-the-art firewalls and ransomware detection to comply with the latest security concepts. It works with Swiss-based and reputable partners who proactively help Medartis to operate a secure infrastructure, which is then audited by external companies.

For critical situations, we rely on state-of-the-art backup approaches with solutions from leading manufacturers. To ensure the availability of ICT services at all times, an additional backup data centre has been set up away from the headquarters for redundancy purposes, which can be used to operate all critical systems if required.

The ICT department of Medartis is constantly developing new processes, improving existing ones, and checking them for stability. Furthermore, it carefully reviews services used, keeps them up to date by means of automation and structured testing, and continuously reviews them in accordance with an internal CIP process. In addition to the technical measures, Medartis

relies on organisational measures such as regulations, employee training and sensitisation, and enables further training in the security area.

Medartis is working on sustainable management through digitisation, reduction of printers, recycling, and the use of energy-efficient equipment.

Committed employees who are proud to work for Medartis

With the acquisition of Nextremity Solutions Inc. based in Warsaw, Indiana, USA, Medartis welcomed 97 new employees in the USA. Continued investment in people and processes resulted in the creation of another 85 positions, bringing its worldwide headcount from 684 to 866. Medartis has 321 employees at its headquarters in Basel, where all global functions are located.

Digitalisation and staff commitment remain important issues of concern as Medartis strives to build a learning and agile organisation that fosters entrepreneurship. E-learning options for employees/distributors/customers, livestream training sessions, and online onboarding/leadership/development activities are all important steps in this direction. Medartis advocates for a collaborative leadership model whereby everyone in the organisation works towards a common goal. In the first two global employee surveys, the company received above-average ratings in these areas. For similar reasons, the company also believes that diversity and a complete sense of belonging are a source of creativity and motivation that contributes to business success. To support these ambitions, the colleagues from Corporate Communications have introduced a mobile app to inform, connect and engage employees worldwide.

Employee feedback revealed that talent management, career development and a healthy work-life balance matter to staff. By contrast, equal treatment and fair compensation are practically already assumed. In addition, Medartis monitors diversity in terms of age, gender, ethnic origin and educational background. In 2022, the Group's gender diversity remained relatively balanced, albeit with room for further improvement: women account for 36% of all our employees worldwide. Their share in management positions is currently 7 %-points lower. Women are particularly underrepresented in manufacturing jobs and technical professions – a phenomenon that can be seen throughout the industry.

Remote and hybrid work has become an integral part of modern work, and general policies have been introduced at Medartis. In general, full employment has exacerbated the shortage of skilled workers, making employer branding activities more important.

Area	Key parameter	2021	2022
Employees	Total headcount	684	866
	Full-time equivalents	666	769
	Part-time employees	82	97
Gender diversity	Percentage of women (company-wide)	36%	36%
	Women in management positions ¹	31%	29%
Turnover, safety and absence	Staff turnover	13%	14% ³
	Absence rate due to work-related accidents ²	0%	0%
	Absence rate due to sickness ²	2.9%	3.2%
	Work-related fatalities	0	0
	Substantiated cases of discrimination / harassment	2	6

¹ Group manager and above.

² Switzerland only. Proportion of absence time compared to target working hours.

³ Including employees from NSI since the takeover in May 2022.

In 2019, the Swiss Federal Council implemented a new federal law on equality that made it mandatory for companies with over 100 employees to provide figures about certain aspects of their pay practices. For Medartis, which aims to treat people equally regardless of their gender, ethnic origin, religion or sexual orientation, this was an important impetus to systematically calculate and monitor salary discrepancies for its workforce in Basel.

Medartis' equal pay analysis in 2021 was audited by Ernst & Young and the report revealed that Medartis does not exert a "gender effect" on salaries. On average, women earn 4.8% less than their male colleagues. Taking into account personal and job-related characteristics such as experience, career history and education, women at Medartis earn 1.6% less than men, which means that there are no systematic or unjustified salary discrepancies for doing the same job. The figures – which are in line with internal statistics on salaries – are explained by the higher number of men in leadership positions, gender-specific demographic differences and the high number of women in part-time positions. The plan is to repeat this analysis at least every four years and also to include Medartis' international subsidiaries.

Medartis continues to offer apprenticeships and internships with the aim of offering jobs to as many people as possible. In Switzerland, the company currently offers apprenticeships in three areas – commercial, logistics and polytechnics – and employs 10 apprentices.

Correct and ethical behaviour

The Medartis Code of Conduct defines the company's expectations for ethical behavior in all its business activities. It prohibits bribery, corruption, unfair competition, misleading marketing practices, harassment, conflict of interest, discrimination and unequal treatment. Medartis is committed to providing a workplace free from harassment and unlawful discrimination, for this Medartis maintains a public whistleblowing channel on its website where it is possible for employees and general public to report incidents anonymously.

The Code is an integral part of its employment contracts and is part of mandatory online training. Additional training is provided on a regional basis in response to employee feedback and other needs. The workforce is obligated to report any violation, suspected violation or misconduct. In 2022, 15 complaints were reported to the Ethics Committee. All allegations were promptly addressed by the committee. Six of the complaints were substantiated and resulted in a written warning. In 2022, no specific concerns were raised relating to human rights violations, so no remediation or mitigation actions needed to be taken.

Health awareness and safety trainings are given to all new employees due to their importance for the company. The vigilance and diligence of its employees also resulted in one of its lowest recorded years of lost-time injuries. No workplace fatalities or serious accidents were reported during the year.



Jade Eubank
Inventory & Logistics Associate, Warsaw, IN



2022 | Independent Expert Interviews

In this chapter, independent industry experts share their views on medical excellence, diversity, education, innovation, digitalization, health care, science, and other fascinating topics. The opinions expressed here are those of the interviewees and do not necessarily reflect the views of Medartis.

INSIGHT TALK

Doctor Radek Kebrle

Dr Radek Kebrle from the Klinika Dr. Pírka Mladá Boleslav in the Czech Republic is a highly respected European hand surgeon with over 20 years of experience and a member of FESSH. He has a special interest in the reconstruction of complex deformities following injuries.



Five years ago, you treated Czech tennis star Petra Kvitová who was stabbed in the hand by a burglar so badly that her career seemed to be over. All the fingers of her dominant hand were damaged and her tendons and nerves were affected as well. How did her injury change your life?

Since it was four days before Christmas, I had a bad Christmas and three difficult months. I was very nervous. In terms of

publicity, I was on BBC, CNN and other TV channels where surgeons would never appear otherwise. Surgeons are not celebrities. We usually do the work behind the scenes, but the story was so big that the news was interested.

Was the effect on your patient flow continuous and sustained?
Yes. I had a lot of work and many patients before this event

because I have been doing hand surgery for 20 years. Patient compliance, which is not always easy to achieve, changed after this event because my name became known and my patients trusted my medical advice more. That is the biggest improvement in my eyes, but now it has been five years and the fame is gone (laughs).

Let's move on to technical questions. Wrist arthrodesis plates are not used very often. If a wrist needs to be stiffened, what does this mean for the patients in their daily life?

It means those patients have less mobility compared to a healthy wrist. For patients with severe pain or an unstable/damaged wrist, the treatment means a lot because you give them back the stability and functionality of their hand and wrist. The plates are a means to fuse the joint without wasting much time.

What plate options are available and have you noticed a development in recent years?

There have always been developments over time. For a long time, the predominant treatment option was to fuse the entire wrist from the metacarpals to the forearm. However, since last year we have been able to use a short plate that allows us to not fuse the wrist completely, but instead lets the patient maintain some movement in the CMC joint.

How many of these cases do you perform each year?

I work at a place where we do a lot of secondary surgeries, treat a lot of complications and, for example, treat patients with very severe rheumatism. I would say that I do about 10-15 wrist fusions a year, which is a lot. In normal clinics, wrist fusion is done maybe once or twice a year because it is not very common there.

At the FESSH hand symposium, you talked about the role of patient-specific implants in complex 3D reconstructions. What are the advantages of 3D preoperative planning and patient-specific tools?

Thirty years ago, architects drew 3D images of buildings on paper. No one does this analogue any more. Everybody works

virtually with CAD 3D planning software and there are many software programmes available. What do we surgeons do? Very often we use just a simple 2D X-ray, so we get only a two-dimensional picture of the problem. Most orthopaedic problems, especially in the forearm, are 3D. The technology gives us the opportunity to see inside. The first advantage is that we see the third dimension of the problem. Secondly, 3D printing allows us to operate more precisely and achieve better results than we can without these technologies.

Fractures of the tiny scaphoid bone are also complicated. They don't always fuse, and when they are treated, they don't heal very well. Can you tell us what makes them so special?

They're special because they are difficult to diagnose and missed on an X-ray in 30% of cases. In addition, the scaphoid bone has poor vascularisation, which is why it takes a long time for a fracture to heal. Treating these fractures is somewhat logical. You have to know when to treat them and use the right tools, which improve your results. The tools are evolving.

When you treat these cases, do you treat them with screws or plates?

Most of them you treat with one screw. Some patients need two screws or sometimes a screw and wires. You use plates for certain comminuted fractures. Non-union fractures are a different situation. Plates are used much more often for them and are the first choice for revision surgery.



Listen to this Insight Talk
by flashing the QR code.

INSIGHT TALK

Doctor Simon Flemings



Dr Simon Fleming lives and works in London and is one of the top 100 social media influencers in orthopaedic surgery worldwide. He has a national and growing international reputation because of his campaign to increase standards in medical education and eliminate bullying in healthcare. We met him at the annual FESSH

Congress in London to talk about the benefits of diversity in healthcare and his social media activities.

I just listened to a speech of yours about diversity in orthopaedics. Where do we stand in the 21st century on that topic?

That's a big question. I think our challenge is that we know healthcare should reflect the society it serves, but it doesn't. At the moment, orthopaedics and plastic surgery aren't particularly diverse. Things are better than they were, but there's a long way to go in terms of characteristics: not just gender but also age, sexuality, race and ethnicity. We are in the very early stages of having those uncomfortable conversations about how we can diversify as a community, so that we can better serve our patients, get better outcomes, and be more innovative. Diversity can affect all of those.

What are the biggest obstacles to making the industry more diverse?

Historically, straight white men built the healthcare profession. So all those systems in place for how we do things were designed to benefit them, whether it's pay structure, working hours, or how teams are created. We have to understand that change is difficult and scary. Change does mean loss and compromise for some people. All of those things and systems will need to change as well as personal responsibilities. We have to be part of that.

Would it help if you told people in top positions at hospitals that diversity delivers better results or saves money?

We know for a fact that if you are a diverse organisation in terms of both characteristics and diversity of thought, you make more money on a year-by-year basis. You will save, recruit, and retain

better people who stay longer. Harvard Business Review and others have published articles on this. We know you get better patient outcomes that are measureable. There are some problems, but your patients and staff are happier. Whatever your motivation is, there's no real downside to diversity except that you're going to have to put some effort in to get there. If you look at the flip side, we know that behaviour like bullying and harassment cost the NHS in the U.K. about £2.4 billion a year. It does not make sense to refuse to challenge this behaviour and try to get rid of them.

You do not belong to the age group of "digital natives", yet you are very active on social media. We can follow you on Twitter and other social media. What's your motivation behind selecting social media channels?

You can build a coalition of people through social media. You can use those platforms to not only identify your community, but build a new one. Social media has such a unique way of flattening the hierarchy in that it allowed some really difficult conversations to play out in a way that maybe they couldn't if you were face-to-face, sitting across a board table from someone, in the morgue, or on a podium.

What is your message to colleagues and peers who still watch programmes on a traditional TV screen ?

I guess I would tell them that social media isn't as scary as people think. If you're not sure how to use it, there will be someone around you who can help you. What we now know is if surgeons engage in social media, their impact in journals will increase, people will cite their papers more often, and people will come to their hospital or clinic. That is proven. Most news organisations will post news on social media before they put it in their newspapers or on their TV channels. Social media is now what television or radio or the computer and Internet were in their eras. It is a fact of modern healthcare and modern society like anything else. You can choose how much to engage with it or not, but to not engage with it at all is now akin to saying "I won't watch the news or listen to the radio at all". It's a choice, but it's maybe not the one I would like.

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Professor Christophe Meyer



Prof Christophe Meyer is the Head of the Department of Oral and Maxillofacial Surgery at the University Hospital Besançon in France where he practices and teaches. We met with him at an international CMF cadaver course in Besançon.

surgeon and we need to educate patients more nowadays.

The technical facilities in Besançon are impressive, but in-house design and manufacturing is still time-consuming. Is this time compensated or will the reimbursement system have to be changed?

Planning procedures, including 3D printing, are not well covered by the French healthcare system. This is a real problem for the monetarization of these activities. However, a dedicated printing platform helps to reduce costs in many procedures such as the treatment of a brain aneurism. Planning makes it possible to save about 20% of the embolisation devices, resulting in savings for our clinic of about € 200,000 per year, which easily covers the cost of our platform.

You performed your first 3D reconstruction 10 years ago. What were the most important developments since then?

Our printing facility, which was just a hobby for the maxillofacial team in the beginning, has now become a separate department at the hospital. It has changed things dramatically. All medical specialties now have access to the platform, which has allowed a huge expansion of activities. We no longer focus on just hard tissue, but now include soft tissue modelling and printing.

The point of care will shift. What will the collaboration with industry and clinics look like in the future?

Clinic-based and industrial printing are not in conflict with each other, but should be seen as complementary. On the one hand, doctors in private practice will not print devices themselves and many medical devices will not be produced in-house since they require complex industrial processes and are subject to demanding regulations. On the other, medical teams want to be routinely involved in the development process of patient devices. Some simple devices such as occlusal splints or drilling, cutting, or positioning guides are accessible to healthcare facilities from a technical and regulatory point of view. This is not only a question of money, but also it is also mandatory to maintain knowledge within the team. The relationship is visibly changing into a true partnership.

What are the main benefits of a fully digital workflow for surgeons?

The digital workflow forces surgeons to analyse their cases in detail, and I think that is the biggest advantage, much more than the printing itself. A digital workflow allows full customisation of treatment, which improves precision and leads to more accurate and predictable results. We also save time in the O.R., have less stress during the procedure, and have fewer post-operative complications for the patient.

What percentage of your implants are 3D printed today?

That depends on what kind of implant it is. Reconstructive implants such as cranioplasty modules, chin or zygomatic modules and orbital modules are almost completely patient-specific today. Surgical plates, on the other hand, are predominantly prefabricated. But the fact that 3D technologies are more accessible is prompting us to use them even in simple cases.

Are patients better informed today than five years ago?

Yes and no. The Internet has improved access to medical information, but there is also a lot of false and misleading information. Nothing replaces personalised information from a

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Ralf Kuhn
Warehouse Specialist Event Logistics, Basel

2022 | 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 [Organisational 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 2022.

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 is 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.

Medartis Holding AG and its subsidiaries (together referred to as "Medartis" or "Medartis Group" or "Group") are 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 cranio-maxillofacial surgery and extremities (i.e. hand, wrist, elbow, shoulder and foot & ankle).

Medartis products are sold throughout the globe, with direct sales in 13 countries in 2022, and via third-party distributors in an additional 40 countries.

The Medartis Group has two tiers of management: the Board of Directors (BOD) and the Executive Management Board (EMB). The BOD is responsible for the Group's high-level management and oversight, its organizational structure, accounting, financial planning, financial control and risk management. The EMB consists of the Chief Executive Officer (CEO), as well as the Chief Financial Officer (CFO), the Chief Technology Officer (CTO), VP EMEA, Chief Human Resources Officer (CHRO) and the Chief Operations Officer (COO). The BOD delegates the management of the Company to the Chief Executive Officer (CEO), who is responsible for the operational management of the Group, the implementation of Medartis' strategy and the

implementation of an efficient and structured procedural organization in accordance with the guidelines provided by the BOD (see also note no. 4 to the Medartis Group Consolidated Financial Statements).

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 2022 was CHF 972 million. The closing price on 31 December 2022 amounted to CHF 82.0. No other company controlled by Medartis Holding AG is listed on a stock exchange. For financial market participants, the Medartis Holding AG has obtained the following Legal Entity Identifier number (LEI) 506700VUSP6HG3F28846.

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 2022 can be found in Note 1 of the Financial Report.

1.2 Significant shareholders

According to disclosure notifications filed with Medartis, the following shareholders or shareholder groups held more than 3% of the outstanding shares as of 31 December 2022. The information refers to the latest possible information either on the reporting platform (if a reporting threshold was touched), the official share register or data submitted to Medartis by the shareholder. The current significant shareholders as well as further disclosure notifications registered in 2022 can be found at the SIX Swiss Exchange [reporting and publication platform](#).

Direct holder	Shares	% of voting rights
Dr. h.c. Thomas Straumann, Riehen, Switzerland	5'628'440	47.47%
Nordflint Capital Partners Fonds-maeglerselskab A/S, Copenhagen ⁽¹⁾	1'084'440	9.15%
NexMed Holding AG, Freienbach, Switzerland ⁽²⁾	921'035	7.77%
Endeavour Medtech Growth LP, Guernsey, Channel Islands ⁽³⁾	778'337	6.56%
Willi Miesch, Küssnacht, Switzerland	617'917	5.21%

⁽¹⁾ Not or only partially registered in the share register.

⁽²⁾ NexMed Holding AG is beneficially owned by Dominik Ellenrieder, Chandolin, Switzerland.

⁽³⁾ 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.

Further information on the share register incl. the prior year figures can be found in notes 15 and 16 of the Financial Report section in this document. All information on disclosure notifications concerning the significant shareholders may be found on the [SIX Exchange Regulation website](#).

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

Ordinary share capital as of 31 December 2022 has a nominal value of CHF 2'371'313.80, consisting of 11'856'569 fully paid-in registered shares with a nominal value of CHF 0.20 each.

Authorised share capital as of 31 December 2022 has a nominal value of CHF 1'180'610.40, consisting of 5'903'052 shares with a nominal value of CHF 0.20 each.

Conditional share capital for bonds and similar debt instruments as of 31 December 2022 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.

Conditional share capital for employee benefit plans as of 31 December 2022 has a nominal value of CHF 116'865.80, consisting of 584'329 shares with a nominal value of CHF 0.20 each.

2.2 Authorised and conditional capital

Authorised capital

At the AGM on 6 April 2022, the company's shareholders resolved to create authorized capital in the amount of CHF 1'181'436.80, corresponding to 5'907'184 shares with a nominal value of CHF 0.20 each, which corresponds to 50% of the capital issued and outstanding as of 31 December, 2021. In 2022, 4'132 shares were created from authorised capital. Share capital outstanding as of 31 December 2022 can therefore be increased out of the authorized share capital by up to CHF 1'180'610.40 by issuing up to 5'903'052 shares (49.8% of the existing capital issued).

The BOD is authorised to increase share capital in one or several steps until 5 April 2024 and to exclude shareholder's pre-emptive rights to subscribe to 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 AGM on 17 April 2020, the company's shareholders resolved to create conditional share capital to be used for convertible bonds or similar debt instruments. Share capital may be increased by up to CHF 1'056'957.20 by issuing of up to 5'284'786 shares with a nominal value of CHF 0.20 each, or up to 44.6% of the capital issued and outstanding as of 31 December, 2022.

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 BOD, 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 AGM on 6 April 2022, the company's shareholders resolved to increase conditional share capital to be used for employee benefit plans in the amount of CHF 124'479.60, corresponding to 622'398 shares with a nominal value of CHF 0.20 each, which corresponds to 5.3% of the capital issued and outstanding as of

31 December, 2021. In 2022, 38'069 registered shares were created from conditional capital. Share capital outstanding as of 31 December, 2022 can therefore be increased by up to CHF 116'865.80 by issuing up to 584'329 shares (4.9% 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 BOD 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 interests of the company's shareholders, as well as its Employee Share Purchase Plan (ESPP) and STI-S Plan, under which employees can purchase Medartis shares with a certain discount. Further information can be found in Articles 3.1, 3.2 c), and 3.2 e) of the Remuneration Report of this annual report.

The BOD considered the use of conditional capital for employee benefits appropriate while safeguarding the company's liquidity and investing in 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 CHF)	Total number of shares issued
21 April 2020	2'355'629.60	11'778'148 shares at CHF 0.20 each ⁽¹⁾
During 2021	2'362'873.60	11'814'368 shares at CHF 0.20 each ⁽²⁾
During 2022	2'371'313.80	11'856'569 shares at CHF 0.20 each ⁽³⁾

⁽¹⁾ 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 Plan for EMB" of EMB members for the 2019 financial year and from the "Restricted Share Plan for the Board" of BOD members for the period from the AGM 2020 to the AGM 2021.

⁽²⁾ Between 21-27 April 2021 a total of 21'879 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 Plan for EMB" for the 2019 financial year for non-Swiss residents and for 2020 for Swiss residents, as well as from the "Restricted Share Plan for the Board" of BOD members for the period from the AGM 2021 to the AGM 2022. 7'912 shares were created as part of the Employee Share Participation Plans (ESPP-S and ESPP-STI) on 1 November 2021. In the course of the year, an additional 6'429 shares divided into four transactions were created due to the CEO buy-out award as explained in more detail in the Remuneration Report 2019.

⁽³⁾ Between 8-27 April 2022 a total of 12'769 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 Plan for EMB" for the 2020 financial year for non-Swiss residents and for 2021 for Swiss residents, as well as from the "Restricted Share Plan for the Board" of BOD members for the period from the AGM 2022 to the AGM 2023. 22'294 shares were created as part of the Employee Share Participation Plans (ESPP-S and ESPP-STI) on 1 July 2022 and 1 November 2022. In the course of the year, an additional 3'006 shares divided into three transactions were created due to the CEO buy-out award as explained in more detail in the Remuneration Report 2019 and due to the CFO buy-out award as explained in more detail in the Remuneration Report 2020. The aforementioned shares have not been registered in the commercial register as of 31 December 2022 and therefore the commercial register at year-end 2022 has a nominal value of CHF 2'363'700.00, consisting of 11'818'500 fully paid in registered shares.

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.

Each share duly entered in the share register entitles the shareholder to one vote. On 31 December 2022, 9412915 shares representing 79.4% of the issued capital were registered in the share register.

The total number of shareholders registered amounted to 2'225. All shareholders may be represented at the General Meeting by a proxy. Proxies and directives issued to the independent voting representative may be given either in writing or online. Other voting representatives must have a proxy signed by hand by the shareholder. The BOD decides whether proxies shall be recognized. The independent voting representative is elected by the General Meeting for a term of office until the end of the next AGM and can be re-elected. In the case of a vacancy, the BOD shall designate an independent voting representative for the next General Meeting.

Shareholder structure¹ on 31 Dec 2022:

Number of shares	Number of shareholders	Cumulative share of all registered shares
1-10 shares	101	0%
11-100	808	0.4%
101-1'000	1'117	3.3%
1'001-10'000	177	4.1%
10'001-100'000	17	3.5%
>100'000	5	68.2%
Total	2'225	79.4%

¹ Non-registered or undisclosed shares are not considered in this table. They represent 20.6% of all issued 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 BOD, 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 BOD, such nominee shall be entered in the share register as a shareholder with voting rights. If the nominee has not been approved by the BOD, the BOD 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 Högendorf, 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 2021 its corporate long term incentive plan with restricted shares (LTI) for members of the EMB. In the event of a change of control, the BOD, 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

3.1 Members of the Board of Directors (BOD)

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 BOD are non-executive members. No member currently holds an executive position in the company.

Except for Willi Miesch, who was the CEO of Medartis from 1998-2019, no other Board had an operational management function at Medartis Holding AG or any company it controls in the last three years, 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	Independence Status*	First Elected
Marco Gadola	1963	Swiss	Chairman		Independent	2020
Dr. h.c. Thomas Straumann	1963	Swiss	Vice-Chairman	Member of the SIC	Founder	1998
Dominik Ellenrieder	1958	Swiss	Member of the Board	Chairman of the HRCC Member of the SIC	Independent	2000
Willi Miesch	1964	Swiss	Member of the Board	Chairman of the SIC	Former executive	2010
Dr. med. Daniel B. Herren	1962	Swiss	Member of the Board	Member of the HRCC Member of the SIC	Independent	2017
Damien Tappy	1969	Swiss	Member of the Board	Member of the FAC Member of the HRCC	Independent	2018
Nadia Tarolli Schmidt	1973	Swiss	Member of the Board	Chairman of the FAC ESG representative	Independent	2022
Ciro Roemer	1962	Dutch	Member of the Board	Member of the FAC Member of the SIC	Independent	2022

[For further details please read the company's independence statement](#)

Marco Gadola

Non-executive Member



Chairman of the Board since 2021 | Board member since 2020

Other main activities in 2022: Chairman of DKSH Holding AG, WS Audiology and Vice-Chairman of the MCH Group. He is also a Board member of the Straumann Holding AG. Additional mandates in non-public companies include Tally Weijl Holding AG and AVAG Anlage und Verwaltungs AG. He also runs his own company, which focuses on supporting cultural change and executive coaching. In February 2023, Marco Gadola was elected to the BOD of Bühler Group.

Career highlights: CEO 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 that, 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.

Dr. h.c. Thomas Straumann
Non-executive Member



Vice Chairman of the Board | Board member since 1998

Other main activities in 2022: Chairman of centerVision AG and CHI Classics Basel Ltd., Board member of the Straumann Holding AG, Board member and owner of the Grand Hotel Les Trois Rois, Basel.

Career highlights: He founded Medartis in 1997 and has been on the BOD ever since. For a long time also as Chairman and Vice Chairman. In 1990, he was responsible for the successful restructuring of the Institut Straumann AG, where he acted as CEO and Chairman of its BOD until 1994. He was Chairman of the Board of Straumann Holding AG until 2002, Vice Chairman until April 2020 and since then a regular member of the Board.

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 his personal management experience and various shareholdings. As a major shareholder, he also represents continuity, stability and credibility.

Dominik Ellenrieder
Non-executive Member



Member of the Board | Board member since 2000

Other main activities in 2022: Chairman of Sentec AG, Nexmed Holding AG and Grand Hotel Chandolin SA as well as Board member of QGel 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, and from 2015 to 2017 Chairman of Symetis AG (later Boston Scientific). He was Vice Chairman of the Medartis AG between 2000-2021 and has headed the Human Resource and Compensation Committee (HRCC) since 2017.

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 2022: Board member of the International Bone Research Association (IBRA). He is a Board member of SCEWO AG and member of the investment advisory committee of the venture capital company MTIP.

Career highlights: He was CEO of Medartis from 1998 until August 2019. Prior to that he held several long-term managerial positions in various production departments at Institut Straumann AG and was Head of Manufacturing at Stratec Medical in Mezzovico, Switzerland. Moreover, he was a member of the EMB 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.

Nadia Tarolli Schmidt

Non-executive Member

**Member of the Board | Board member since 2022**

Other main activities in 2022: Member of the BOD of Straumann Holding AG and member of the Bank Council of Basellandschaftliche Kantonalbank. Additional mandates in non-public companies include EGK Group Companies, Parkresort Rheinfelden Holding AG, IKEA Pension Fund, Genossenschaft Stadion St. Jakob-Park, BiomedVC AG, and Nordic Cultural and Educational Foundation.

Career highlights: Since 2010, Nadia Tarolli Schmidt has been a partner at the business law firm VISCHER AG, where she is co-head of the tax team and head of the social security group. From 2005-2010, she was an associate at VISCHER AG, specialising in tax, corporate law and M&A. Until 2021, she was a judge at the Tax Court of Basel-Stadt. Prior to that, she worked as a legal secretary at the Tax Court of the Canton of Zurich and as a corporate lawyer at Clima-Suisse and Holcim AG.

Qualifications: She studied law at the University of Basel, is an attorney-at-law and a federally certified tax expert. Most recently, she completed further training at the Swiss Board School of the University of St. Gallen.

Key attributes for the board: She is an experienced independent lawyer with in-depth knowledge in tax and social security matters as well as in structuring mergers and acquisitions. In January 2022, the BOD established a Sustainability Committee at Medartis. Due to Nadia Tarolli Schmidt's experience in ESG matters in other companies, she leads this committee. The initiatives are led by the Chief Operating Officer and are supported by the senior management team.

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



Member of the Board | Board member since 2017

Other main activities in 2022: No relevant mandates in this context.

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.

Ciro Römer
Non-executive Member



Member of the Board | Board member since 2022

Other main activities in 2022: Ciro Roemer is a strategic advisor to Warburg Pincus LLC, a leading private equity firm.

Career highlights: He retired in 2021 as the Company Group Chairman of the Johnson & Johnson Medical Devices Companies in North America. Previously, he held leading positions at Synthes and in J&J's medical device business. He also served as a Board member of the AO Foundation, the leading global network for orthopaedic surgeons and healthcare professionals. Ciro Römer also acted as Vice Chairman of Eucomed, the European medical device industry association. Ciro resides in the US and is a Dutch citizen.

Qualifications: He graduated from BIGRA Amsterdam with a Bachelor's degree in Health Science, and completed the Advanced Management Program at Harvard Business School in the United States.

Key attributes for the board: Ciro Römer is an expert in the medical device industry, with in-depth knowledge of global healthcare systems and medical technology markets. He has over 35 years of industry experience across Asia Pacific, Europe and in the US, which has been defined by Medartis as one of its main growth markets. His international experience includes general management positions in the US, Netherlands, Spain and Switzerland.

Damien Tappy

Non-executive Member

**Member of the Board | Board member since 2018**

Other main activities in 2022: Co-founder, Chairman and Managing Partner of Endeavour Vision and Member of the Young President Organisation (YPO).

In addition to his mandate at Medartis, he represents the interest of Endeavour Vision as Board member in the following companies: L'Enfance (chairman), CeQur, Polares, and Hôpital de la Tour. He is also member of the Foundation Council of Fondation du Domaine de Villette.

Career highlights: Founder and Director of the Start-up and Spin-off program from the Swiss Federal Institute of Technology (EPFL) and co-Founder, Chairman 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, which specializes in private equity and venture capital investments, he contributes his valuable experience as a Board member of numerous life science companies.

Curricula vitae (CVs) of all current BOD and EMB members including information on the years of their first election, additional positions, memberships and activities are available on the Medartis corporate website, where they are regularly updated.

3.2 Other activities and vested interests

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

- b) Mandates in entities upon request of Medartis; and
- c) Mandates in associations, organisations 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 BOD are within the limits of external mandates stipulated by the [Articles of Association](#).

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](#):

BOD members 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;

3.4 (Re-)elections and terms of office

Each Director is elected by the AGM for a one-year term, which runs until the end of the next AGM. Directors may be re-elected with no restrictions such as age or tenure limit.

The Chairman of the BOD and the members of the HRCC are

elected by the AGM. If the Chairman's Office is vacant, the BOD appoints a Chairman from among its members for the remaining term of office.

In August 2021, the Medartis BOD has announced proposals for leadership succession intended to take effect at the AGM on 6 April 2022. Roland Hess (member since 2017) and Dr. Jürg Greuter (member since 1997) have decided to retire from the Board by this date. Nadia Tarolli Schmidt and Ciro Roemer have agreed to stand for election to the Board. All other Board members stood for re-election.

The long-standing Board member and current Chairman of the Human Resources & Compensation Committee (HRCC), Dominik Ellenrieder, has decided to retire from the Medartis Board at the upcoming AGM in order to focus fully on his strategic and operational activities at Sentec AG. Dominik Ellenrieder has been on the BOD since 2000 and played a decisive role in the founding years when we were still a private company and also later as a listed company. Dominik Ellenrieder's seat on the BOD will not be replaced. Independent Board Member Damien Tappy is proposed to newly chair the HRCC Committee.

3.5 Internal organisational structure

The organisation of the BOD and its committees is set forth in the [Organisational Regulations](#), available on the [Medartis website](#). The following paragraphs summarise the main elements of the Organisational Regulations.

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

Subject to article 19 of the [Articles of Association](#), except for the election of the Chairman, the BOD constitutes itself. It may designate one or several Vice-Chairmen among its members. It appoints a secretary, who shall not necessarily be a BOD member. The individual positions (Chairman, Vice-Chairman, Member) are listed in the table 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 BOD 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 BOD 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 BOD 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 EMB. The BOD is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organisational Regulations](#).

The BOD 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 BOD and by the Chief Executive Officer. All missions and competences of the BOD are stipulated by article 15 of the [Organisational Regulations](#). Without limitation, these tasks may not be delegated. The BOD 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 BOD is responsible for the preparation, calling, organisation 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 Organisational Regulations.

The BOD 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 BOD's firm belief 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 BOD 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 2022, key topics of the BOD included, amongst others, strategic business development projects, NSI acquisition and integration, board committee work and reports, and the corporate

organisational structure. The BOD met 16 times. This includes 6 regular meetings in March, April, June, August, October and December, most of them held as physical meetings, and additional virtual or hybrid meetings to deal with ad hoc matters and/or follow-up on strategic business development projects. The regular meetings lasted about 8 hours on average. One member was prevented from attending one of the regular meetings due to illness.

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

The committees appointed by the BOD support the preparation and implementation of all or some of the Board 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.

HRCC members are elected by shareholders at the AGM (see article 8.2.c and 27 of the [Articles of Association](#)). All other committee members are determined democratically by all Board members. According to Swiss law, the members are elected for one year until the next Ordinary General Meeting. The individual positions and roles (Chairman, Member) are also outlined in section 3.1.

The committees of the BOD 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 times a year. Members of the BOD may also attend meetings of specific committees at the request of the committee chairman.

Finance & Audit Committee (FAC)

The competences of the FAC are set out in articles 24 and 25 of the [Organisational Regulations](#).

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

The FAC supports the BOD 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 FAC assesses the usefulness and suitability of the financial reporting, the internal control system and the general supervision of business and compliance risks. It makes sure that a continued,

efficient and productive communication exists between the company and the external auditors regarding financial matters. This committee also evaluates, monitors and assesses the legal aspects of the company's M&A activities.

Due to the yet limited size and complexity of the company's corporate structure, Medartis has not established a dedicated internal audit function. 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 FAC and, as the case may be, the Chief Financial Officer.

At the beginning of 2022, a dedicated internal compliance officer was hired to meet the increasing national and international obligations in this field.

The Chief Financial Officer (CFO) attends the meetings of the FAC, except for portions when his or her presence would be inappropriate, as determined by the chairperson. At least once a year, the FAC shall meet in separate sessions with the external auditors.

In 2022, key topics of the FAC included, amongst others, internal and external financial reporting, NSI acquisition and integration, external audit, M&A, ESG, controlling, compliance and risk management matters. The FAC met 6 times (5 regular and one ad hoc meeting) for an average meeting length of approximately 4 hours with all members attending all meetings. The chairperson of the FAC reports at every Board meeting on the FAC activities and findings.

Medartis has an integrated compliance system, which provides guidance in recognizing, understanding and complying with the laws and ethical standards that govern our business practices and activities. This is supervised by the FAC. In addition, we have established a whistle-blower contact point (known as the [Ethics Hotline](#)), operated by the Compliance Committee, which monitors the channel and defines the process. The system allows employees and external persons to confidentially alert our organisation about suspicions of misconduct. It is an important tool for reducing risks and building trust as it enables the company to detect and act on possible misconduct at an early stage. The Ethics Hotline also has a preventive role. If the employee wants to report an incidence, the Medartis Ethics Hotline ensures that concerns can be raised anonymously if preferred. All concerns and reports are investigated by our Compliance Committee and, depending on the outcome, appropriate measures are taken.

Human Resources & Compensation Committee (HRCC)

The duties and responsibilities of the HRCC are set out in article 27 of the [Articles of Association](#) and in article 26 and 27 of the

Organisational Regulations. In March 2021, the Remuneration Committee was renamed "HRCC" following its assumption of additional duties. Its new tasks are specified in the HRCC Charter, dated 04 March 2021, which is available on the Medartis website.

The HRCC 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 [Organisational Regulations](#). The BOD issues a [HRCC Charter](#) which governs the organisation of the HRCC.

The key tasks of the HRCC are:

- Presenting motions to the BOD in view of the next Ordinary AGM of shareholders with respect to the aggregate amount of remuneration of the BOD and of the EMB of the company;
- Assisting the BOD in the preparation of the remuneration report, to be adopted by the BOD and then disclosed to the shareholders of the company in view of the next Ordinary General Meeting;
- Implementing the resolutions passed by the AGM with respect to the aggregate amount of remuneration of the members of the BOD and the members of the EMB;
- Assisting the BOD in setting the conditions for the actual remuneration of the members of the Board and of the EMB 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 BOD in this respect for approval;
- Advising the BOD 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 BOD on other remuneration-related matters.
- The HRCC also oversees the culture change process launched in mid-2021 and gives advice to the EMB where deemed appropriate.

In 2022, key topics of the HRCC included, amongst others, the BOD and EMB compensation, the structure of the short and long term incentive plans, additional content of the Remuneration Report and the culture journey. The HRCC met 4 times for an average meeting length of approximately two hours. One member was excused for one HRCC meeting. The chairperson of the HRCC reports at every Board meeting on the HRCC activities and findings.

Strategy & Innovation Committee (SIC)

The duties and responsibilities of the SIC are set out in article 28 and 29 of the [Organisational Regulations](#).

The SIC 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 [Organisational Regulations](#). The BOD issues a [SIC Charter](#) which governs the organisation of the SIC.

The key tasks of the SIC 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 2022, key topics of the SIC included mainly the identification, review and assessment of M&A opportunities that are in-line with the defined mid- and long-term growth strategy of the company. The SIC met 5 times for average sessions of approximately 2 hours. Three members were excused for one SIC meeting. The chairperson of the SIC reports at every Board meeting on the SIC activities and findings.

3.5.3 Working methods of the BOD and its committees

Upon invitation by the Chairman of the BOD, the BOD meets as often as required by the business of the company, but at least six times a year. Every member of the BOD is entitled to request that a meeting of the BODs be called by the Chairman of the BOD. If the Chairman of the BOD does not proceed with the calling of the meeting within fourteen calendar days from the request, the requesting member of the BOD is entitled to call the meeting.

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

The BOD 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 BOD 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 FAC, the HRCC and the SIC report at each Board meeting about matters, which were discussed and resolved in their respective committee meetings.

The CEO is usually invited to attend the meetings of the BOD in an advisory capacity. However, the BOD regularly holds meetings or parts of their meetings without the participation of the CEO. 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 FAC at least four times a year, the HRCC at least three times a year and the SIC at least four times a year.

Attendance at board and committee meetings in 2022

The following table shows the number of board meetings in the reporting period per committee. The list does not include preparation time for meetings, document study or coordination time with executive members. During the pandemic and following the general trend towards digitalisation, some of these meetings were held virtually or as hybrid meetings.

Name	Board meetings	FAC	HRCC	SIC	Total
Marco Gadola	16	4	3	5	28
Dr. h.c. Thomas Straumann	13	-	-	4	17
Dominik Ellenrieder	16	-	4	5	25
Willi Miesch	15	-	-	5	20
Dr. med. Daniel B. Herren	13	-	3	4	20
Damien Tappy	16	6	4	1	27
Nadia Tarolli Schmidt	13	4	-	1	18
Ciro Römer	11	4	-	4	19
Roland Hess (retiring Board member)	3	2	-	-	5
Dr. Jürg Greuter (retiring Board member)	3	-	-	-	3

Note: In August 2021, the Medartis BOD announced proposals for leadership succession to take effect at the AGM on 6 April 2022. Roland Hess (member since 2017) and Dr. Jürg Greuter (member since 1997) have decided to retire from the Board and Nadia Tarolli Schmidt and Ciro Roemer have been elected to the Board as of this date.

In addition to participating in BOD meetings all Board members attend industry congresses, co-travel with sales representatives to visit key customers, go on field trips or attend surgeries. Board members may also act as active mentors to executive managers and have regular one-to-one exchanges with their assigned mentees. The Chairman maintains a regular exchange with the CEO and bilateral meetings are held on a frequent basis.

3.6 Independence

All Board members - including the Chairman - are non-executive and the majority are independent, pursuant to «Swiss Code of Best Practice for Corporate Governance» rules and Medartis independence criteria, which are outlined on [our website](#). Since its foundation in 1997, Medartis has been strongly influenced by the founding family and founding members, who have invested a considerable part of their wealth in the company and hold a majority of the share capital. Their interests must be preserved just as the rights of minority shareholders need to be respected and considered. Having Board members with industry experience, who are familiar with stakeholder engagement, is an important ingredient for the success of Medartis. In the case of renewal elections, the BOD attaches great importance to ensuring that diverse and complementary skills are represented on the Board and that independence is maintained. The Human Resources & Compensation Committee (HRCC) reviews the independence of the Board members annually. The HRCC evaluates conflicts of interest, related party transactions and other commitments potentially jeopardizing a member's independence. Each Board member completes a compliance and independence questionnaire that is subject to review by our General counsel.

3.7 Definition of areas of responsibility

The BOD 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 EMB. The BOD is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organisational Regulations](#).

Unless set out otherwise in mandatory statutory provisions, the [Articles of Association](#) and the [Organisational Regulations](#), the BOD delegates the management of the company to the Chief Executive Officer. The responsibilities and tasks and nature of cooperation between the BOD and the EMB are stipulated in the [Organisational Regulations, which are available on the Medartis website](#).

Key responsibilities and tasks of the BOD are:

- Overall management of the company and issuance of all necessary directives in this respect;
- Determining the organisation, in particular adopting and amending the present [Organisational Regulations](#) as well as deciding on the setting up and dissolution of branches and offices;
- Organising the accounting, financial planning and financial control, supervising and assessing the risks;
- Organising 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 HRCC, approving the remuneration report and deciding on the proposals on the aggregate amount of remuneration of the members of the BOD and the members of the EMB to be submitted to the general meeting of the shareholders;
- Setting the conditions of the remuneration of the members of the BOD and of the EMB 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 FAC;
- 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 BOD, its committees and members.

3.8 Information and control instruments vis-à-vis the EMB

Medartis' BOD has put different information instruments in place to provide oversight and monitor the execution of responsibilities it has delegated to the EMB.

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 BOD 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 FAC. The Chief Financial Officer as well as the chairperson of the FAC present and comment the results in detail at the next meeting of the BOD.

On the occasion of every meeting, the BOD may request information, updates and reports from the Chief Executive Officer regarding the business of the company. It is also a part of the BOD' 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 BOD.

3.9 Risk management in the Group

The BOD is responsible for overseeing the Group's internal control system, which monitors all key controls in relation to a number of defined processes. The internal control system also provides reasonable assurance against inaccuracies and material financial loss.

Medartis has developed, implemented and maintains a quality management system to document best business practices throughout the Group, to ensure overall risk control, to better meet the needs and expectations of its customers and to improve the overall management of the Group.

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

The certified quality management system complies with all relevant medical industry standards. The scope of the quality management system, which is also specified in the company's EN ISO 13485:2016 certificate, relates to the design and development, manufacturing and distribution of cranio-maxillofacial and orthopaedic implants and instruments, the design and development of medical imaging, and simulation and design software.

Quality audits are an integral part of the Medartis quality management system and cover the control of established processes to meet all required regulatory medical industry standards.

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

External audits are carried out independently by third parties. These include the notified body TÜV Rheinland, BSI (UK), and national or international authorities with a vested interest, such as the Food and Drug Administration FDA (USA), Swissmedic, Anvisa (Brazil). All potential findings from these audits are managed within Medartis' corrective and preventive action system.

The EMB regularly assesses strategic, operational and financial risks, resulting in an Enterprise Risk Management (ERM) matrix that is reviewed by the Board. Actions to mitigate the identified risks, based on probability and severity, are taken and regularly monitored.

As part of the periodic review of all countries, all business, compliance and financial risks are also reviewed at country management level. The countries report these risks and mitigation strategies to the EMB. In addition, all major countries are regularly invited to the BOD' meetings where their individual risk and opportunity metrics are also discussed.

4. Executive Management Board

4.1 Members of the Executive Management Board (EMB)

There were two changes to the Medartis senior leadership team in 2022. The BOD appointed Mario Della Casa as the new Chief Operating Officer and member of the EMB in October 2022. Axel Maltzen has relinquished his duties in the EMB and has taken on the role of Director Global QM/ESG/PMO, where he takes global responsibility for the important business tasks of quality

management, sustainability (ESG) and the Global Project Management Office. Lisa C. Thompson, President US, has decided to step down in May following the acquisition of NSI. Rod K. Mayer, who joined from NSI, has been appointed President of Medartis US as a non-executive director. He has since led the merged organisation in the US together with Regional Chief Financial Officer Dan Stichter.

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

Name	Born	Nationality	Position	In position since
Dr. Christoph Brönnimann	1966	Swiss	Chief Executive Officer	2019
Anthony Durieux-Menage	1974	France	Chief Human Resources Officer	2019
Mareike Loch	1970	Swiss	Vice President EMEA	2020
Manuel Schaer	1970	Swiss	Chief Technology Officer	2020
Dr. Dirk Kirsten	1968	German & Swiss	Chief Financial Officer	2021
Mario Della Casa	1975	Italien & Swiss	Chief Operating Officer	2022

Dr. Christoph Brönnimann



Chief Executive Officer

Career highlights: CEO at Medartis AG since September 2019. Previously, he held various leadership roles in larger organisational 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.

Dr. Dirk Kirsten**Chief Financial Officer**

Career highlights: He joined Medartis in March 2021. Over the course of his long-dated career, Dr. Dirk Kirsten has held various senior management positions in the medtech, pharmaceutical and healthcare industries. These included the roles as CFO of Nobel Biocare (2008-2013), Group Treasurer of Syngenta (2004-2008) and Head Group Funding & Capital Markets of Roche Holding (2002-2004). Prior to that, he worked in global investment banking (UBS/ Deutsche Bank), where he also led various healthcare transactions (financing, M&A, capital markets). In 2013, Dirk Kirsten founded his own advisory boutique focusing on M&A, private equity as well as start-up financing and business development. As a proven financial expert with broad industry experience, Dirk Kirsten has a strong track record in international management, corporate finance and M&A.

Qualifications: Dirk Kirsten holds a PhD in Management & Economics from the University of Cologne and attended the international MBA program of the London Business School.

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).

Mareike Loch



Vice President EMEA

Career highlights: At Medartis AG since August 2020. Mareike Loch has over 20 years of experience in the medical device industry. Prior to joining Medartis, she was Vice President EMEA for Trauma, Extremities, Foot & Ankle, Sports Medicine and Biologics at Zimmer Biomet. She spent 5 years in Singapore as Vice President APAC Marketing & Business Intelligence and prior to that 3 years as Senior Director Global Brand Management and responsible for the Hip and Knee segment in EMEA. Previous roles also include two years in Japan and various marketing and sales positions at Sulzer Medica.

Qualifications: She holds a Master's degree in product design from the Glasgow School 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. Prior to that, he served as Senior Director Strategy & Process Improvement Supply Chain. In previous roles, he had various regional and global responsibilities in Research and Development and Technology Integration in the Spine business area, working with internal and external Teams as well as the Technical Commission of the AO. 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.

Mario Della Casa



Chief Operating Officer

Career highlights: He has considerable international experience, has worked in FDA-regulated environments for many years, and has gained a great deal of experience in lean and change management. Before taking on his current role at Medartis in October 2022, Mario Della Casa served as Vice President Supply Chain and Operations EMEA at the US healthcare company Invacare Corp. In this role, he managed a group of employees the size of Medartis and oversaw four production sites in four different European countries. From 2010 to 2019, he worked as plant manager for Stryker in Selzach and Depuy Synthes in Mezzovico, Switzerland. He spent the first years of his career at the Fiat Group and progressed through positions of increasing responsibility in logistics and materials management.

Qualifications: Mario Della Casa is a mechanical engineer and has an Executive Master in Business Administration from the University of St. Gallen.

4.2 Other activities and vested interests

No member of the EMB 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 EMB 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, organisations 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 EMB 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 BOD.

According to Art. 689 Abs. 2 OR each shareholder may be represented by a third party who has the capacity to act and not 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 BOD.

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 AGM must be held within six months of the end of a company's preceding financial year. Shareholders' meetings may be convened by the BOD or, if necessary, by a company's statutory auditors or liquidators. The BOD 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 AGM. 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 BOD. New shareholders who register their shares in the register have 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 fulfil certain other requirements.

7. Changes of control and defence 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 EMB 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 BOD or the EMB in the event of change of control.

8. Auditors

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

The Shareholders' General Meeting elects and appoints the Group's external auditors on an annual basis. Ernst & Young AG, Basel has been in this function since 2004 and was re-elected as statutory auditor for another term of office at the AGM in 2022. The auditor in charge took over the mandate in 2018. The BOD supervises the external auditors through the Finance and Audit Committee.

8.2 Auditing fees

The total auditing fees charged by Ernst & Young AG in the year 2022 amounted to TCHF 320.0 (2021: TCHF 225.7). The increase compared to the prior year is due to additional expenses related to the acquisition of Nextremity Solutions Inc. (audit of opening balance sheet and "Purchase Price Allocation").

8.3 Additional (non-audit related) fees

The fees charged by the auditing company for additional services to Medartis in the reporting year totalled ten thousand Swiss francs in both 2022 and the previous year and were mainly related to additional accounting consultancy services.

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 BOD proposes the election of the external auditor to the AGM 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 an open, transparent and continuous information policy. In accordance with the rules of the SIX Swiss Exchange, the company publishes detailed financial results on a semi-annual basis and an annual report in the first months of each year pursuant to Art. 49 and Art. 50 LR. The results are discussed in detail at special investor and journalist events, which take place either physically or virtually, or at media events. The most current list of publication dates is available on the Internet. At the AGM, information is provided on the course of business and the environment, and the minutes and voting results are published on the company's website.

In the case of significant events, the company also publishes additional ad-hoc information about the respective M&A, partnership or financial transaction pursuant to Art. 53 LR.

The CEO, CFO and Corporate Communications are responsible for communicating with investors, representatives of the financial community, journalists, and other stakeholders. In addition to the publication of results and the AGM, the company also regularly participates in country or sector (non-deal) conferences. Whenever possible and appropriate, meetings with investors are organised via video conferencing technology to reduce carbon emissions and travel costs. In between, however, physical meetings are also held at the investors' premises (roadshow) or at Medartis' headquarters. An overview of upcoming events can be found on the company's website, where you can also find a list of bank analysts covering the share.

At the time of printing this book, the following banks / sell-side analysts actively covered Medartis:

Bryan Garnier & Co.

Alex Cogut
+44 207 332 2500
acogut@bryangarnier.com

Credit Suisse

Christoph Gretler, Zurich
+41 44 333 79 44
christoph.gretler@credit-suisse.com

Octavian

Sandra Dietschy
+41 44 518 08 27
sandra.dietschy@octavian.ch

ZKB

Edouard Riva, Zurich
+41 44 292 20 05
edouard.riva@zkb.ch

To stay up to date, the company offers retail and institutional investors a media release subscription service on its homepage and ensures that investor-relevant releases are circulated broadly and in a timely manner according to the rules of the SIX Swiss Exchange and with due regard for the principles of fair disclosure. The company does not update its releases, reports and presentations, which means that the information they contain is only valid at the time of publication.

This Annual Report including a remuneration and corporate governance report is a key instrument for communicating with various stakeholder groups. It is published electronically in English on the company's website, where it can also be downloaded. An abridged version of the annual report is distributed to all registered shareholders prior to the AGM.

10. Trading blackout periods

According to our "Insider Trading Guideline", certain employees who have access to material non-public information on a regular basis are designated as "Covered Persons" and are banned from trading in Medartis securities during the regular Black-Out Periods. In any case, this group includes the BOD, the EMB as well as their direct reports and support staff, all employees of the Business Development, Legal, Corporate Communications as well as the Finance and Treasury department with access to consolidated accounts, all local General Managers as well as the regional Finance Directors and key sales function with access to aggregate sales information. On a case-by-case basis, persons who have knowledge of certain special projects may also be classified as Covered Persons and will be prohibited from trading with Medartis securities during the Black-Out Periods.

Limited exemptions for the exercise of options apply if such exercise is based on a binding contract, delayed buy and sell orders or a written incentive plan that was entered into at a time when the Covered Person did not possess relevant insider information. Our regular reporting Black-Out Periods start at the end of each semester and last until the public announcement of the financial figures for that period.

In 2022, the following blackout periods applied:

- December 31, 2021 until the presentation of our full-year results on March 7, 2022
- June 30, 2022 until the presentation of our half-year results on August 16, 2022



Seiko Natsume
Office & Compliance Manager, Tokyo

2022 | 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 BOD and the EMB 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:

- BOD (Art. 30): The remuneration of the members of the BOD (BOD) 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.
- EMB (Art. 31): The remuneration of the EMB 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 AGM (Art. 16): The AGM approves annually, on a binding basis and at the request of the BOD, the aggregate amounts of the fixed remuneration of the BOD for the period up to the next AGM, and of the EMB for the next full financial year following the year of the AGM. The General Meeting further approves annually the total amount of variable remuneration elements (short-term and long-term) for the EMB for the current financial year in a binding and separate manner.
- Additional amount for newly appointed members of the EMB (Art. 32): Should new members of the EMB be appointed after the resolution of the AGM, 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 EMB, 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 EMB may be granted in order to compensate the newly appointed executives for the loss of deferred compensation elements with their previous employer. The AGM 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 BOD and EMB 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 EMB 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 BOD.

Duties and Responsibilities

According to the HRCC Charter (Art. 3) and the Articles of Association of Medartis Holding AG (Art. 27), the HRCC assists the full BOD in the following tasks:

AGM

(a) Presenting motions to the BOD in view of the next ordinary Annual General Meeting (AGM) with respect to the aggregate amount of remuneration of the directors and of the members of the executive management of the Company;

(b) Assisting the BOD in the preparation of the remuneration report, to be adopted by the Board and then disclosed to the shareholders of the Company at the next ordinary AGM;

(c) Implementing the resolutions passed by the AGM with respect to the aggregate amount of remuneration of the members of the Board and the members of the executive management of the Company;

Remuneration

(d) Reviewing the principles, programs and targets for compensation of the Board, the CEO and the executive management and submitting them to the Board for approval; thereby ensuring that the compensation paid by the Company is based on market and performance-related criteria;

(e) Preparing proposals concerning the compensation of the BOD, the CEO and the executive management, and submitting them to the Board for approval and submission to the next ordinary AGM;

Equity Plans

(f) Assisting the BOD in the setting up of the conditions for the granting, the assignment, the blocking, the exercise and the expiry of the remuneration of the members of the Board and of the executive management in the form of equity securities, conversion rights and option rights in accordance with article 28 and article 29 of the Articles of Association, as well as assisting and advising the Board in the review and approval of general compensation and benefit policies including any long-term incentive compensation or equity plans;

Human Capital

(g) Conducting an annual review of the organization's Human

Resource strategic plan to ensure congruence with the Company's broader strategic plan, which includes a review of:

- recruitment and selection
- talent management
- performance management and
- corporate culture

(h) Annually reviewing the performance of the CEO and the EMB in fulfilling the set strategic objectives;

(i) Conducting forward-looking discussions of how human capital requirements are affected by evolving corporate strategy and external landscape changes (technology, competitors, labour market);

Nomination

(j) Regularly reviewing the structure, size and composition (including the skills, knowledge and experience required) of the BOD compared to its current position and submitting recommendations to the BOD with regard to any changes;

(k) Assessing candidates for the CEO role and submitting a proposal to the BOD for approval;

(l) Discussing the CEO's proposals for appointments to the executive management with the CEO and submitting such proposals to the Board for approval;

Other

(m) Annually reviewing and pre-approving the schedule of services and fees the Company plans to ask the compensation consultants to render in the upcoming year, as presented to the Committee by management, and ensuring that the independence of the compensation consultants is maintained.

The HRCC is entitled to conduct investigations in all matters of its competence.

In well-founded cases, it shall in particular have full access, to the extent required for the accomplishment of its duties, to the company's EMB, employees, books and records.

To the extent required for the accomplishment of its duties, the HRCC may request the services of independent advisors and experts. Details on the constitution of the BOD and of the HRCC, as well as regarding further details such as, for example, maximum number of external mandates, can be found in Medartis' corporate governance report.

The BOD or the HRCC determine 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 HRCC and the BOD determines, on an annual basis, the amount of the remuneration of the individual members of the BOD, including its Chairman, subject to and within the limits of the maximum total amount approved by the AGM. 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 HRCC and determined by the BOD on an annual basis, subject to and within the limits of the maximum total amount approved by the AGM. Remuneration to the other members of the Executive Board is recommended by the CEO, reviewed by the HRCC and determined by the BOD, on an annual basis, subject to and within the limits of the maximum total amount approved by the AGM.

The HRCC meets upon calling of its chairman as often as required for the fulfilment of its duties, but at least three times a year as defined in Article 6 para. 1 and 2 as well as article 9 of the Organizational Regulations. The chairman of the HRCC can invite persons other than committee members to attend all or a portion of a meeting. Invited persons shall not participate in the discussions or deliberations of the HRCC unless invited to do so, and shall not be entitled to vote.

The HRCC reviews the compensation package of the members of the EMB annually and proposes to the BOD any adjustments. As a base for this work the HRCC assesses compensation packages in similar companies. To build the compensation benchmark the following surveys and reference databases were used:

- 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

As per article 23 para. 1 of the Organizational Regulations, the discussions of the HRCC must be summarized and its decisions recorded in minutes signed by the chairman (or chairing member) thereof and by the person taking such minutes. Article 13 of the Organizational Regulations shall apply by analogy. Every member of the Board shall receive a copy of the minutes of every meeting of the HRCC.

Decisions of the HRCCs and proposals to the BOD can also be made by way of approval of a written resolution circulated to the members of the HRCC. Article 12 of the Organizational Regulations shall apply by analogy.

On the occasion of every meeting of the BOD, the HRCC shall inform the BOD of its activities. As per article 23 para. 3 of the Organizational Regulations, circular resolutions must be reflected in the minutes of the next HRCC meeting. In case of emergency, the BOD members shall be informed immediately via the chairman.

As set out above, the AGM approves the total remuneration amounts to the BOD and to the EMB on an annual basis and in a binding manner. The BOD values the dialogue with shareholders and is considerate of their views about executive compensation when reviewing compensation principles. Against this background, the BOD voluntarily submits the compensation report to a consultative vote at the AGM. 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 mentioned above.

3. Compensation architecture and elements

3.1 Board of Directors (BOD)

For their non-executive services in the Board, its members 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 its committees, without any entitlement to performance-related compensation. There are no additional meeting fees for BOD memberships. This ensures that the BOD remains independent while exercising its supervisory duties towards the EMB.

The amount of fees for each function of the BOD 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 BOD who also serve in an executive capacity receive a separate remuneration for function, which is disclosed accordingly below in the section on the EMB. In 2022, no BOD member held an executive function.

At the AGM 2022, Roland Hess (member since 2017) and Dr. Jürg Greuter (member since 1997) retired from the Board by. Nadia Tarolli Schmidt and Ciro Römer were elected to the board to replace them.

Here after are described the roles and responsibilities of the different BOD members:

Board of Directors (8 Members)		
Chairman: Marco Gadola Vice Chairman: Dr. h. c. Thomas Straumann Members: Dominik Ellenrieder, Dr. med. Daniel B. Herren, Willi Miesch, Ciro Römer, Damien Tappy, Nadia Tarolli Schmidt		
Finance & Audit Committee Chairman: Nadia Tarolli Schmidt Members: Ciro Römer, Damien Tappy	HR & Compensation Committee Chairman: Dominik Ellenrieder Members: Dr. med. Daniel B. Herren, Damien Tappy	Strategy & Innovation Committee Chairman: Willi Miesch Members: Dominik Ellenrieder, Dr. med. Daniel B. Herren, Ciro Römer, Dr. h. c. Thomas Straumann
Focus Financial Health Risk Management Legal & Compliance M&A and Alliances (Legal and Agreements)	Focus Nomination Compensation Human Capital Culture	Focus Growth initiatives and growth management Innovation Technology M&A

**Board Structure Medartis Holding AG as of AGM 2022:
Main principles of the new plan which manages the calculation and allocation of the Medartis Restricted Shares for the members of the BOD:**

Unless otherwise determined by the Board, the allocation date shall be within 30 days from the AGM at which the compensation to the BOD for the respective period was approved. Immediately before the allocation date, the equivalent of the Board fees that a member of the BOD elected to receive in the form of shares instead of cash shall be converted into a number

of Medartis restricted shares ("RS") 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 member of the BOD elected to receive in the form of shares shall not be paid out in cash, but shall instead be converted into a number of RS, by dividing such amount by a share value that equals 85% of the volume-weighted average price of a Medartis share over a period of 20 trading days ending with the last trading day before the AGM 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 allocated RS under the current Plan are subject to a Restriction Period, the duration of which will be determined by the Board and set out in the Election Form. The Restriction Period starts on the Allocation Date. The RS are allocated during the 30 days after the AGM with a discount of 15% and are subject to a Restriction Period of 2 years. There are no contractual share ownership requirements for BOD members.

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

3.2 Executive Management Board (EMB)

a. Overview

The remuneration of the EMB (CEO and other members of group management) consists of a fixed base salary, an annual, performance-based short-term incentive (STI), a long-term incentive plan (LTI) in the form of restricted share grants, and other benefits (e.g. company car, car allowance, long-service bonus or family allowance).

As previously described in the Corporate Governance Report, the following changes occurred in the Medartis management team last year:

- The BOD appointed Mario Della Casa to the new role of Chief Operating Officer (COO) and member of the EMB in October 2022.
- At the same time, Chief Production Officer (CPO) Axel Maltzen relinquished his responsibilities in the EMB and assumed global responsibility for Quality Management, Sustainability (ESG) and the Project Management Office.
- Lisa C. Thompson, President US, has decided to step down in May following the acquisition of NSI. After the merger of the two organisations, her duties and the additional tasks for the production in Warsaw and R&D were divided among several non-executive employees.

There were no relevant changes to the remuneration structure for the EMB in 2022. 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.

c. Annual short-term incentive (STI)

The STI scheme focuses on rewarding individuals based on company and regional performance and incentivizes growth and cost discipline. When performance targets are met, the annual STI bonus is paid in cash in the first half of the following year. At target,

the annual STI for the CEO is 75% of his (gross) base salary. This is unchanged versus previous year. If the other EMB members meet 100% of their performance criteria, their STI share ranges from 27% to 45% of their individual's annual gross base salary. In 2021, this range was between 27% and 45%. The base salaries as well as the STI target value is determined individually for each member of the EMB and is reviewed in a benchmarking process once per year, considering peer companies and benchmarks.

The performance metrics used for the STI are total company net sales, OPEX and EBITDA as well as regional net sales. The latter applies to senior executives who have regional sales responsibility. OPEX and EBITDA are measured relative to actual net sales. These metrics are considered to be the most critical and sustainable value drivers of the company. This means, for example, that higher OPEX expenses than planned in the budget can be offset by higher than planned net sales. The same logic applies in the opposite direction, of course. The weighting of each of those three performance measures varies per person and is determined at the beginning of each year in the annual performance agreements. There are no individual performance targets at this stage.

For each metric, the CEO determines and the BOD 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.

- If 100% of the performance objectives are achieved, 100% of the target amount is paid out.
- For each percentage point that the performance achievement level is above or below the performance targets, the payout is reduced or increased by 20%. This means, for example, that only a target achievement of over 95% will result in a payout. The 95% threshold therefore represents the minimum performance floor. The progression is linear, which explains that each percentage point above this threshold increases the STI by 20%. This means, for example, that higher OPEX spendings than planned in the budget do not necessarily have a negative effect on the STI if net sales exceed the budget and outweighs the OPEX effect. The same logic applies in reverse, of course.
- The maximum STI payout is capped at 200% of the target, which also applies to the three subcategories.

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.

For illustrative purposes, the performance scheme is explained below using a fictitious example:

An EMB 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 (in CHF mn)	Percentual budget value	Actual value (in CHF mn)	Actual%	Target achievement	STI sub-value
Net Sales	120	100%	125		+104.2% (125/120)	+184% (100% + 4.2 * 20%)
OPEX	60	50% of net sales	62	49.6% (62/125)	+100.8% (50/49.6)	+116% (100% + 0.8 * 20%)
EBITDA	15	12.5% of net sales	16	12.8% (16/125)	+102.4% (12.8/12.5)	+148% (100% + 2.4 * 20%)

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 (LTI)

The amount of this long-term compensation is determined individually for each participant, generally at the discretion of the BOD. It is reviewed once a year and may be subject to fluctuations.

According to the plan, the BOD at its sole discretion may determine the grant amount for members of the EMB, 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 an additional 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 AGM 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 LTI grant amounts for 2022 will be allocated to EMB members following the AGM of 2023. The LTI compensation amount disclosed in the audited tables in section 4 show the allocated LTI grant amount for 2022.

The number of RS/RSUs is calculated as follows:

As of 2021, Medartis implemented the Employee Share Participation Plan (ESPP) as an additional compensation element:

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

- Employee Share Purchase Plan (ESPP): EMB members can invest all or part of their payout in Medartis shares with a discount of 25% and subject to a 2 year blocking period. The shares are dividend-bearing from the day of acquisition. The BOD is not eligible for this program. The number of shares is calculated by applying the 20-day VWAP before the allocation date. Three out of the six EMB members have profited from the ESPP in 2022 and acquired a total of 9'537 shares at a price of 81 Swiss francs. These shares are blocked until H2 2023.
- Employees from 6 countries (Switzerland, Germany, Austria, France, UK and USA) who have worked for the company for at least one year can also purchase a limited amount of shares on the same terms. This is another element to promote company affiliation and entrepreneurship.

In 2021, the EMB members were restricted to participate in the ESPP-STI plan due to a special trading blackout period. To address this issue, the BOD has postponed the ESPP-STI subscription in 2022. The redefined plan asks the eligible employee to transfer his/her desired portion of his/her STI to be invested into restricted shares in a dedicated bank account (managed by our LTI plan administrator) five months before the allocation of these restricted shares. The amount to be invested five months later into restricted shares is blocked in this dedicated bank account and can no longer be retrieved by the employee.

Shares required under the share based compensation elements may be made available, at the discretion of the BOD, 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.

A new LTI plan including performance criteria is under consideration. This new plan will be implemented in 2023 and will be detailed in next year's Annual Report.

e. Other elements and comments

Members of the EMB 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 EMB member is entitled to the following fringe benefits: a company car (or car allowance), a family allowance (if eligible), seniority gifts and wedding bonus. There are no contractual share ownership requirements for the EMB members, but with the current remuneration system, share ownership is encouraged over time. The actual direct and indirect payout of the EMB in the current and previous year is shown in the tables underneath.

4. Actual remuneration for the reported year

This section contains:

- (a) the actual compensation paid to the BOD for the period between AGM 2022 and 2023;
- (b) the actual compensation paid to the EMB for 2022;
- (c) other compensation-related information under the OaEC;
- (d) a general pay-for-performance review;
- (e) comments on the alignment between paid and pre-approved amounts; and
- (f) information on shareholdings of members of the BOD and of the EMB.

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

a) Remuneration of the BOD

The below table shows the compensation paid to members of the BOD for the period between the AGM 2022 and the AGM 2023. The total compensation for the BOD outlined in the table is within the range approved by the AGM 2022.

BOD compensation in CHF
(audited table):

	Fixed board fee (cash)	Social security contributions	Restricted Shares	Restricted share discount*	Total
Marco Gadola Chairman of the BOD	375'000 <i>0</i>	36'541 <i>40'611</i>	125'000 <i>500'000</i>	8'402 <i>120'528</i>	544'943 <i>661'138</i>
Thomas Straumann Vice-Chairman of the BOD	228'773 <i>228'078</i>	63'529 <i>64'216</i>	0 <i>0</i>	0 <i>0</i>	292'303 <i>292'293</i>
Willi Miesch Chairman of the SIC Committee	150'000 <i>150'000</i>	11'736 <i>11'678</i>	0 <i>0</i>	0 <i>0</i>	161'736 <i>161'678</i>
Dominik Ellenrieder Chairman of the HRCC Member of the SIC	150'000 <i>150'000</i>	0 <i>0</i>	0 <i>0</i>	0 <i>0</i>	150'000 <i>150'000</i>
Nadia Tarolli Chairman of the FAC	112'500	11'601	37'500	2'544	164'145
Ciro Römer Member of the FAC Member of the SIC	50'000	0	50'000	3'315	103'315
Daniel Herren Member of the SIC Member of the HRCC	50'000 <i>75'000</i>	7'642 <i>7'991</i>	50'000 <i>25'000</i>	3'315 <i>5'958</i>	110'956 <i>113'949</i>
Damien Tappy Member of the HRCC Member of the FAC	0 <i>100'000</i>	0 <i>0</i>	100'000 <i>0</i>	6'745 <i>0</i>	106'745 <i>100'000</i>
Total all members	1'116'273 <i>703'078</i>	131'049 <i>124'495</i>	362'500 <i>525'000</i>	24'321 <i>126'485</i>	1'634'143 <i>1'479'058</i>
Board members who stepped down at the 2022 AGM					
Roland Hess	112'500	9'173	37'500	8'973	168'145
Dr. iur. Jürg Greuter	100'000	0	0	0	100'000
Total	212'500	9'173	37'500	8'973	268'145

* The BOD remuneration may be drawn in the form of Medartis shares at a discount of 15% in addition to the share appreciation at allocation date.

Values in italics represent data for the period between the AGM 2021 and the AGM 2022. Nadia Tarolli and Ciro Roemer were

elected at the AGM 2022 replacing Roland Hess and Dr. iur. Jürg Greuter. The total compensation of the BOD in unchanged composition would have amounted to CHF 1'634'828.

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 determined by the closing share price average of 09 March 2022 – 05 April 2022 in-line with the Restricted Share Plan for the Board.

b) Remuneration of the EMB

The below table shows the compensation paid to the CEO and other members of the EMB for 2022 and 2021. End of 2022, the EMB consists of the CEO and five additional EMB members. The

total compensation listed underneath is within the range approved by the AGM 2022.

EMB compensation (in CHF; 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 – Buy-out awards, ESPP)	Social security contributions and fringe benefits	
Christoph Brönnimann CEO	500'000 500'000	250'026 750'000	790'450 948'547	308'831 351'775	1'849'307 2'550'322
Other members of the EMB	1'794'698 2'027'652	395'581 1'236'779	648'218 573'352	808'715 945'445	3'647'212 4'783'228
Total EMB (incl. former members)¹	2'294'698 2'527'652	645'607 1'986'779	1'438'668 1'521'899	1'117'546 1'297'220	5'496'519 7'333'550

¹ Mario Della Casa has been a member of the EMB since 1 October 2022. Former executives Lisa Thompson, Axel Malzen and Dominique Leutwyler received compensation in 2022 based on their employment contracts.

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 2022, payable in 2023. 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 2022 (though not converted into restricted shares yet), 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. In 2022, the LTI part of the CEO and CFO does include the amount related to their 2022 part of their buy-out awards. The mechanism of these buy-out awards have been described in the 2019 remuneration report for the CEO and in the 2021 remuneration report for the CFO. The LTI section does include as well the advantage from the shares acquired at 25% discount by EMB members with the ESPP-STI plan.
- “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 (or car allowance), family allowance (if applicable), health insurance (if applicable), seniority gifts (if applicable) or any benefits defined in a severance package.

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 BOD and EMB. No further compensation was paid or granted to former members of the BOD or EMB apart from the amounts listed above.

No loans or credits were granted to current or former members of the BOD and EMB. 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 BOD or EMB. No such loans or credits were outstanding at the balance sheet date.

In accordance with local market practice, a financial severance payment of more than six months was agreed with the former US President who was part of the EMB.

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

In 2022, the weightings for the different metrics for the annual short-term incentive of members of the EMB have been:

Weighting of STI performance criteria	Company Net Sales	Company OPEX	Company EBITDA	Regional Net Sales
CEO	50%	30%	20%	n.a.
CFO, CTO, CHRO & COO	50%	30%	20%	n.a.
VP EMEA	25%	15%	10%	50%

Consequently and in total, the 2022 STI payout to members of the EMB (excl. CEO) equals CHF 395'581 (previous year CHF 1'236'779) as stated in the table above. As a percentage of the fixed (base) salary, this represents 22% (previous year: 61%). For the CEO, the STI payout of CHF 250'026 (previous year: CHF 750'000) represents 50% of the base salary (previous year: 150%).

In 2022, the grant value of restricted shares under the LTI was CHF 648'218 (previous year CHF 573'352) for the entire EMB (excl. CEO) and CHF 790'450 for the CEO (previous year: CHF 948'547). Combining the STI and the LTI and excluding the buy-out award and advantages of the ESPP plan of the CEO, his total variable compensation for 2022 amounted to 150% of his base salary (previous year: 250%). This is the total pay mix for the regular compensation elements. The aggregate variable

compensation (STI and LTI) for 2022 represents 51% (previous year: 89%) of the fixed base salary for the entire EMB (excl. CEO).

The main difference in the EMB remuneration between 2022 and 2021 is the lower STI target achievement. For EMB members and the CEO, this translated into an STI payments ranging from 33% to 85% of the target amount.

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

At the AGM 2021 and 2022 the Medartis shareholders have determined and approved the following maximum compensation amounts:

Compensation for the BOD for the period from the AGM 2022-2023:	CHF 2'232'162
Fixed base salary to the EMB (incl. CEO) for the business year 2022:	CHF 4'298'705
Variable compensation to the EMB (incl. CEO) for the business year 2022:	CHF 5'543'335

Board of Directors:

As shown in the remuneration table above, the total compensation (subtotal fixed board fee and social security contributions) of the BODs for their services in the 2022 financial year amounted to CHF 1'634'143 (2021: CHF 1'747'203 in 2021). This is within the amount pre-approved by shareholders at the 2022 AGM (CHF 2'232'162).

Fixed remuneration for the EMB:

The fixed remuneration paid to all EMB members in 2022 amounted to CHF 2'995'264. The shareholders approved in the AGM 2021 a total fixed compensation (base salary) of CHF 4'298'705 for the January-December 2022 period. The actual amount is therefore within the approved range.

Variable compensation for the EMB:

The total variable remuneration in 2022, consisting of STI and LTI, amounted to a total of CHF 2'501'255 (2021: CHF 3'924'430). Also this value is well below the maximum amount of CHF 5'543'335 approved by the Medartis shareholders.

f) Shareholdings of members of the Board of Directors and of the EMB

See attachment to the 2022 financial statements of Medartis Holding AG.



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 9 March 2023

Report of the statutory auditor on the audit of the remuneration report



Opinion

We have audited the remuneration report of Medartis Holding AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on pages 83 to 85 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 83 to 85) complies with Swiss law and Art. 14-16 VegüV.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.



Other information

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

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report 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.



Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 and SA-CH 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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

Daniel Zaugg
Licensed audit expert



Dario Werren
Mechanist CMX and 3D Printing, Basel

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Medartis Group Consolidated Financial Statements

Consolidated Balance Sheet

(at 31 December 2022 and 2021)

(CHF)	Notes	31 December 2022	31 December 2021
Assets			
Current assets:			
Cash and cash equivalents		20'604'902	82'641'879
Accounts receivable trade	7.1	39'930'683	32'499'440
Accounts receivable other	7.1	5'431'820	3'818'135
Income tax receivables		159'950	194'212
Inventories	7.2	69'903'374	54'303'515
Prepaid expenses	7.3	1'850'377	2'025'352
Total current assets		137'881'107	175'482'534
Non-current assets:			
Property, plant and equipment	7.4	52'622'536	40'160'276
Right-of-use assets	7.5	26'660'877	24'395'935
Intangible assets	7.6	69'991'381	11'917'708
Investment in associate	5.2	13'873'217	10'201'289
Financial assets		1'557'002	6'390'066
Deferred tax assets	6.7	25'307'669	29'632'042
Total non-current assets		190'012'683	122'697'316
Total assets		327'893'790	298'179'849
Liabilities and equity			
Current liabilities:			
Accounts payable trade	7.7	9'595'396	8'239'159
Accounts payable other	7.7	15'199'081	15'686'813
Income tax payables	7.7	375'130	426'211
Accrued expenses	7.7	2'666'442	2'449'013
Current financial debt and other financial liabilities	7.8	5'619'447	4'587'284
Provisions	7.9	6'070'058	3'316'541
Total current liabilities		39'525'554	34'705'021
Non-current liabilities:			
Non-current financial debt and other financial liabilities	7.11	22'335'573	19'487'539
Contingent consideration	7.11	24'082'920	-
Provisions	7.9	2'259'758	2'238'861
Employee benefit obligation	7.12	1'804'010	17'739'584
Deferred tax liabilities	6.7	106'633	13'505
Total non-current liabilities		50'588'894	39'479'489
Total liabilities		90'114'448	74'184'510
Shareholder's equity			
Issued share capital	7.10	2'371'313	2'362'873
Capital Reserves		257'645'270	254'197'973
Currency translation adjustment		814'024	1'563'538
Retained earnings		-23'051'266	-34'129'045
Total shareholder's equity		237'779'342	223'995'339
Total liabilities and equity		327'893'790	298'179'849

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

Consolidated Income Statement

(CHF)	Notes	2022	2021
Net sales	6.1	182'824'418	159'880'236
Cost of goods sold		-33'334'965	-25'772'744
Gross profit		149'489'453	134'107'493
Selling and distribution		-94'335'187	-77'086'313
Research and development	6.3	-25'332'482	-20'046'443
General and administration	6.4	-31'692'236	-25'960'830
Share of results of associate	5.2	-51'104	42'527
Operating profit/ (loss)		-1'921'556	11'056'433
Finance income	6.6	300'376	135'310
Finance expense	6.6	-5'523'615	-2'902'114
Income/ (loss) before taxes		-7'144'794	8'289'629
Income tax expense/income	6.7	1'361'906	-1'451'762
Net income/ (loss)		-5'782'888	6'837'867
Attributable to:			
Medartis shareholders		-5'782'888	6'837'867
Earnings per share (CHF):			
Basic earnings per share ^{a)}	6.8	-0.49	0.58

^{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	2022	2021
Net income/ (loss)		-5'782'888	6'837'867
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	16'189'076	2'050'206
Income tax relating to items that will not be reclassified to profit or loss	6.7	-2'111'056	-267'347
		14'078'020	1'782'859
Items that may be reclassified subsequently to profit or loss:			
Currency translation effects		-710'309	-508'495
Share of other comprehensive income of associates accounted for using the equity method	5.2	-39'204	7'493
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-
		-749'514	-501'002
Total other comprehensive income		13'328'507	1'281'857
Total comprehensive income		7'545'619	8'119'724
Attributable to:			
Medartis shareholders		7'545'619	8'119'724

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

Consolidated Cash Flow Statement

(for the years ended 31 December 2022 and 2021)

(CHF)	Notes	2022	2021
Net income/ (loss)		-5'782'888	6'837'867
Adjustments for:			
Income tax income/expense	6.7	-1'361'906	1'451'762
Interest income	6.6	-300'376	-135'310
Interest expenses	6.6	732'059	791'151
Loss on disposal of property, plant and equipment		235'384	256'145
Depreciation and amortization of:			
Property, plant and equipment	6.5	16'639'314	14'574'687
Intangible assets	6.5	1'472'654	1'812'048
Change in provisions and pension obligations		-435'822	679'135
Share based compensation		2'197'313	2'158'059
Other non-cash items		2'495'411	-844'458
Fair value loss on contingent consideration		898'130	-
Changes in net working capital:			
Inventories	7.2	-9'036'026	-4'746'949
Accounts receivable trade, accounts receivable other, prepaid expenses	7.1/7.3	-7'462'247	-10'054'043
Accounts payable trade, accounts payable other, accrued expenses	7.7	-2'780'800	9'042'296
Interest received	6.6	300'376	135'310
Income tax paid/received		-837'611	-963'909
Cash flow from operating activity		-3'925'166	20'993'791
Cash payments to acquire property, plant and equipment	7.4	-15'435'185	-8'022'355
Proceeds from disposals of property, plant and equipment	7.4	211'482	66'337
Cash payments to acquire intangible assets	7.6	-3'358'775	-2'364'462
Acquisition of subsidiaries, net of cash acquired	5.1.1	-36'068'162	-
Additions/Disposals to financial assets		5'480'297	-5'553'119
Cash payment to acquire an investment in an associate	5.1.2	-3'743'000	-
Cash flow used for investing activities		-52'913'343	-15'873'599
Proceeds from capital increases		1'881'856	681'638
Repayment current financial debt	7.11	-	-5'683
Repayment of lease liability	7.11	-5'046'435	-4'706'192
Interest paid on lease liability	6.6	-732'059	-750'037
Interest paid	6.6	-2'294	-41'113
Cash flow used for financing activities		-3'898'931	-4'821'388
Net change in cash and cash equivalents		-60'737'439	298'804
Cash and cash equivalents at the beginning of the year (1 January)		82'641'879	82'734'816
Net effect of currency translation on cash and cash equivalents		-1'299'538	-391'741
Cash and cash equivalents at the end of the year (31 December)		20'604'902	82'641'879

The acquisition of NSI (see note 5.1) has led to movements in the net working capital that are not reflected in the referenced notes but are included in the line "Acquisition of subsidiaries, net of cash acquired"

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 2022 and 2021)

Attributable to Medartis AG shareholders					
(CHF)	Share capital	Capital reserves	Currency translation difference	Retained earnings	Total shareholders' equity
1 January 2021	2'355'629	252'451'943	2'064'540	-43'836'194	213'035'919
Net income				6'837'867	6'837'867
Other comprehensive income/(loss)			-501'002	1'782'859	1'281'857
Total comprehensive income/(loss)			-501'002	8'620'726	8'119'724
Capital increase	7'244	1'746'030		-1'071'636	681'638
Share based compensation				2'158'059	2'158'059
31 December 2021	2'362'873	254'197'973	1'563'538	-34'129'045	223'995'339
Net loss				-5'782'888	-5'782'888
Other comprehensive income/(loss)			-749'513	14'078'020	13'328'507
Total comprehensive income/(loss)			-749'513	8'295'132	7'545'619
Capital increase	8'440	3'447'297		-1'573'880	1'881'856
Acquisition Nextremity contingent consideration				2'159'214	2'159'214
Share based compensation				2'197'313	2'197'313
31 December 2022	2'371'313	257'645'269	814'024	-23'051'266	237'779'341

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 cranio- maxillofacial 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 and associate

Subsidiaries	Share capital	Investment 2022	Investment 2021
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 Iberia SL, Spain (Barcelona)	EUR 3'000	100%	100%
Medartis S.a.r.l., France (Lyon)	EUR 15'000	100%	100%
Medartis International Trade (Shanghai) Co., Ltd., China	CNY 30'000'000	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%
Lakeland Technology Holdings LLC (Warsaw)	USD 0.01	100%	0%
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%

Associate	Share capital	Investment 2022	Investment 2021
Keri Medical SA, Switzerland (Geneva)	CHF 27'134'942	30%	25%

There are no material structured entities.

The holding company

The ultimate holding company of the Medartis Group is Medartis Holding AG which is based and listed in Switzerland. 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 9 March 2023 and are subject to approval by the Annual General Meeting on 21 April 2023.

§ 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 IFRS 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 2022 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 an allowance matrix to estimate the allowance for doubtful accounts for all trade receivables. The expected credit loss ('ECL') rate is based on the Group's historical experience and the Group's expectation of economic conditions over the period until receivables are expected to be paid.

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. Further details are provided in Note 7.1.

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. Further details are provided in Note 7.12.

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 2022, Medartis' deferred tax assets are CHF 25.3 million (2021: CHF 29.6 million). Included in this balance are CHF 2.8 million (2021: CHF 0.8 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.

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).

2.4 Changes in accounting policies and disclosures

The Group has assessed the potential impact of various new and revised standards and interpretations that will become mandatory from 1 January 2023 and have not yet been applied by the Group. Based on this analysis, the Group does not expect these to have a material impact on the Group's overall performance and financial position. The group is also reviewing other new and revised standards, which will not become mandatory until 2023.

Amendments effective in 2022

The following amendments apply for the first time in 2022 but do not have a material impact on the consolidated financial statements of the Group:

- IFRS 3 (Amendments) Reference to the Conceptual Framework (effective 1 January 2022)
- IAS 16 (Amendments) Proceeds before intended use (effective 1 January 2022)
- IAS 37 (Amendments) Onerous contracts – cost of fulfilling a contract (effective 1 January 2022)
- Annual Improvements 2018-2020 (Amendments effective 1 January 2022)

2.5 Issued standards not yet adopted

		Effective for annual periods on, or after	Planned adoption by Medartis
IAS 1	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023	Financial Year 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023	Financial Year 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023	Financial Year 2023
IFRS 16	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024	Financial Year 2024
IAS 1	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2024	Financial Year 2024

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

3. Other disclosures

3.1 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			
2022			
Currency	Increase/Decrease (in%)	Effect on profit before tax	Effect on equity
AUD/CHF	10	-2.4	2.7
EUR/CHF	10	-0.4	0.4
USD/CHF	10	-2.6	2.3
AUD/CHF	-10	2.4	-2.7
EUR/CHF	-10	0.4	-0.4
USD/CHF	-10	2.6	-2.3

(CHF) million			
2021			
Currency	Increase/Decrease (in%)	Effect on profit before tax	Effect on equity
AUD/CHF	10	-2.6	2.8
EUR/CHF	10	-0.5	0.4
USD/CHF	10	-2.6	2.3
AUD/CHF	-10	2.6	-2.8
EUR/CHF	-10	0.5	-0.4
USD/CHF	-10	2.6	-2.3

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 3.2. 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 2022 and 2021.

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.

The Group has committed credit lines with various financial institutions totaling CHF 40 million. As of 31 December 2022 no debt has been drawn under these credit lines.

(CHF)	Carrying amount 31.12.2022	Total	Cash outflows		
			Up to 1 year	1 to 5 years	More than 5 years
Accounts payable trade	9'595'396	9'595'396	9'595'396		
Accounts payable other	1'195'097	1'195'097	1'195'097		
Accrued expenses	2'666'442	2'666'442	2'666'442		
Lease liabilities	27'030'183	27'030'183	5'157'742	18'600'370	3'272'071
Other financial liabilities	924'837	924'837	461'705	463'132	
Contingent consideration	24'082'920	24'082'920		24'082'920	
Total	65'494'875	65'494'875	19'076'382	43'146'422	3'272'071
Interest on lease liability		2'198'549	624'619	1'418'872	155'059

(CHF)	Carrying amount 31.12.2021	Total	Cash outflows		
			Up to 1 year	1 to 5 years	More than 5 years
Accounts payable trade	8'239'159	8'239'159	8'239'159		
Accounts payable other	1'162'236	1'162'236	1'162'236		
Accrued expenses	2'449'013	2'449'013	2'449'013		
Lease liabilities	24'074'822	24'074'822	4'587'284	18'081'636	1'405'903
Total	35'925'230	35'925'230	16'437'692	18'081'636	1'405'903
Interest on lease liability		2'010'821	622'271	1'295'030	93'520

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)	31.12.2022	31.12.2021
Total assets	327'893'790	298'179'849
Equity	237'779'342	223'995'339
Equity ratio	73%	75%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

3.2 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 2022 and 2021. 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 2022	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial Assets					
Cash and cash equivalents	20'604'902				20'604'902 ¹⁾
Accounts receivable trade	39'930'683				39'930'683 ¹⁾
Other non-current financial assets	1'557'002				1'557'002 ¹⁾
Total	62'092'587				62'092'587
Financial liabilities					
Accounts payable trade	9'595'396				9'595'396 ¹⁾
Accounts payable other	1'195'097				1'195'097 ¹⁾
Accrued expenses	2'666'442				2'666'442 ¹⁾
Current financial debt and other financial liabilities	5'619'447				5'619'447 ¹⁾
Non-current financial debt and other financial liabilities	22'335'573				22'335'573 ¹⁾
Contingent consideration				24'082'920	24'082'920
Total	41'411'956			24'082'920	65'494'875

31 December 2021	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial Assets					
Cash and cash equivalents	82'641'879				82'641'879 ¹⁾
Accounts receivable trade	32'499'440				32'499'440 ¹⁾
Other non-current financial assets	6'390'066				6'390'066 ¹⁾
Total	121'531'385				121'531'385
Financial liabilities					
Accounts payable trade	8'239'159				8'239'159 ¹⁾
Accounts payable other	1'162'236				1'162'236 ¹⁾
Accrued expenses	2'449'013				2'449'013 ¹⁾
Current financial debt and other financial liabilities	4'587'284				4'587'284 ¹⁾
Non-current financial debt and other financial liabilities	19'487'539				19'487'539 ¹⁾
Total	35'925'231				35'925'231

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

The addition to level 3 non-current financial debt relates to the acquisition of Nextremity Solutions Inc. in 2022 and consists of contingent consideration payments in cash amounting to CHF 24.1 million (USD 26.1 million). The total losses recognised through profit or loss amount to CHF 0.9 million (USD 0.9 million) and are presented under finance expense. Refer to note 5.1.

4. Segmental breakdown of key figures for the years ended 31 December 2022 and 2021

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.

Revenues are allocated to the regions by location of the customer.

2022 (CHF)	EMEA	APAC	LATAM	North America	Total
Net sales	91'365'944	32'139'455	18'299'743	41'019'275	182'824'418
Non-current assets ¹⁾	82'429'814	3'839'985	4'519'673	72'358'540	163'148'011

2021 (CHF)	EMEA	APAC	LATAM	North America	Total
Net sales	83'370'030	32'032'910	13'698'736	30'778'560	159'880'236
Non-current assets ¹⁾	75'920'813	4'119'527	3'673'733	2'961'136	86'675'208

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

(CHF)	2022	2021
Upper Extremities	123'776'391	112'049'373
Lower Extremities	28'231'105	24'632'226
CMF and Others ¹⁾	30'816'922	23'198'638
Total	182'824'418	159'880'236

¹⁾ CMF and Others includes revenue with Nextremity products.

5. Significant transactions and events

5.1 Business combinations, acquisition of investment in associate and divestments

5.1.1 Nextremity Solutions Inc.

On 2 May 2022, Medartis acquired 100% of the ownership interests in Nextremity Solutions Inc. located in Warsaw, USA, which together with the subsidiary Lakeland Technology Inc. forms the Nextremity Group ('Nextremity').

Nextremity is a dedicated development and commercialization organization with a focus on the extremity musculoskeletal space.

The fair values of the identifiable assets and liabilities of the Nextremity Group recognised as of the acquisition date are as follows:

Assets	(CHF)
Cash and cash equivalents	3'075'614
Accounts receivable trade	1'388'835
Inventories	6'563'834
Prepaid expenses	18'871
Property, plant and equipment	8'028'860
Software	153'794
Intangible assets (product technology)	20'935'637
Financial assets	43'433
Indemnification asset	603'800
Deferred tax assets	3'166'950
Total assets	43'979'627
Liabilities	
Accounts payable trade	706'322
Accounts payable other	3'160'413
Provisions	2'473'506
Legal provision	990'232
Deferred tax liabilities	8'516'427
Total liabilities	15'846'900
Net identifiable assets acquired	28'132'727
Goodwill	37'555'649
Consideration	65'688'375
Consideration paid in cash	39'143'776
Contingent consideration arrangements	24'285'610
Equity instruments	2'258'990
Consideration	65'688'375
Net cash acquired	3'075'614
Cash paid	-39'143'776
Net cash flow	-36'068'162

The net assets recognised as of 31 December 2022, except for cash, accounts receivable, accounts payable, were determined provisionally pending the finalization of the valuation for those assets and liabilities. Up to twelve months from the effective date of the acquisition further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed and to the fair value of the consideration transferred. Please also refer to g). Hence, the resulting goodwill is also provisional.

a) Contingent consideration arrangements – liabilities

The business combination includes contingent consideration arrangements that require Medartis Inc. to pay the former owners of Nextremity up to CHF 18.5 million (USD 20.0 million) (undiscounted) in three payments upon the launch of various milestone products in 2023-2025 ("the milestone payments") and additionally CHF 9.2 million (USD 10.0 million) (undiscounted) upon reaching a certain level of aggregate sales of all milestone products in 2025 ("Earn-out payment"). The potential undiscounted amount of the future payments that could be required to be paid in cash under the contingent consideration arrangements is CHF 27.7 million (USD 30.0 million).

The fair value of the contingent consideration components was determined discounting the nominal amount of the payments expected to occur according to the expiry date (2023-2025) using Medartis Inc.'s cost of borrowing. As management expects that the three milestone payments will be paid in full, the fair value has been determined by discounting the maximum amount by using the cost of debt resulting in discount rates between 3.4% and 3.8%. For the earn-out payment management has considered a discount rate of 11.6% as appropriate to take into account the specific risk of the industry and the small size of the target. These measures were based on significant inputs that are not observable in the market, which are considered Level 3 inputs. The contingent consideration liabilities are classified as non-current financial debt.

The fair value of the contingent considerations to be settled in cash totals CHF 24.3 million (USD 25.1 million). Should Lapiprep, the first and most valuable pipeline product expected to become commercialized in 2023, not be launched on time, the fair value of the contingent consideration would be reduced to CHF 8.7 million (USD 9.0 million). For the earn out payment, in case the target revenue is not reached, then the fair value would reduce by CHF 6.4 (USD 6.7). A 100 base point increase in the effective discount rates would result in a fair value of CHF 23.7 million (USD 24.5 million). A 100 base point decrease in the effective discount rates would result in a fair value of CHF 24.9 million (USD 25.8 million).

b) Contingent consideration - Equity instruments

In addition to above, as part of the overall consideration 3 key individuals/selling shareholders of Nextremity will receive a so-called performance bonus with a fair value of CHF 2.3 million (USD 2.3 million) to be settled in 25'140 Medartis shares if the sales of the Medartis US business reach a certain level in 2025. The probability of achievement was embedded in the fair value determination. Subsequent changes in the stock price will not affect the settlement number of shares. No service condition is attached to the performance bonus. The performance bonus has been classified as equity.

c) Intangible assets (Product technology)

The fair value of intangible assets related to product technology is determined using a relief-from-royalty method. The method is based on the management business plan, observable market data for risk-adjusted discount rates and tax rates.

d) Goodwill

Goodwill, which is not deductible for tax purposes, comprises expected synergy effects from combining the assets and activities of Nextremity with those of the Group as well as employee know-how. Management has assessed that the Nextremity Group does not represent a separate cash generating unit, and accordingly goodwill from the acquisition has been provisionally allocated to the Group (refer to Note 7).

e) Accounts receivable trade

The fair value of the accounts receivable trade amounts to CHF 1.4 million (USD 1.4 million). The gross amount of accounts receivable trade is CHF 1.8 million (USD 1.9 million). The difference between the fair value and the carrying amount is the result of the estimated cash collection and an adjustment for counterparty credit risk.

f) Legal provision

A provision for a legal proceeding at fair value of CHF 1.0 million (USD 1.0 million) and a corresponding indemnification asset of CHF 0.6 million (USD 0.6 million) were recognised at the acquisition date resulting from a claim for patent infringement. The net amount provided corresponds to the expected cash out flow that Medartis will have to bear. All cash flows above this threshold will be reimbursed by the former Nextremity shareholders (see Note 8).

If Nextremity had been included as of 1 January 2022, management estimates the impact on consolidated revenues for the 12 months ended 31 December 2022 would have been CHF 8.7 million, with a CHF -8.6 million impact on net profit. From the date of acquisition, Nextremity has contributed CHF 5 million of revenue and an estimated CHF -6.2 million to the net loss.

Transaction costs of CHF 1.7 million have been expensed and are included in Administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows

g) Changes compared to the disclosures in the half-year interim financial report

Since the publication of the interim financial report the main changes to the purchase accounting amount to CHF 1.4 million for intangible assets due to the refinement of the fair value of the product technology, CHF 3.1 million for the contingent consideration

arrangements, CHF 1.4 million adjustment of deferred taxes, CHF 0.7 million adjustment of the consideration paid in cash due to the escrow release. The overall impact on goodwill is CHF 2.5 million.

During the reporting period 2021 no acquisitions, divestments or other significant transactions took place.

5.1.2 § 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.

5.2 Investments in associates

The Group has an investment in an associate.

Keri Medical SA

Keri Medical SA is a company specialized in implants for hand and wrist surgery based in Geneva, Switzerland. The Group has an interest of 30% in the entity. It is a private entity that is not listed on any public exchange.

In May 2022, Medartis acquired an additional 4.7% investment in Keri Medical SA at the cost of CHF 3.7 million resulting in a total stake of 30%. The share of identifiable net assets amounts to CHF 0.7 million and the notional goodwill applicable to the 4.7% investment amounts to CHF 3.0 million. 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. The summarized financial information presented below are the non-audited preliminary amounts of Keri Medical prepared in accordance with IFRS.

(CHF)	2022	2021
Current assets	13'949'121	14'502'857
Non-current assets	18'087'152	14'548'591
Current liabilities	-9'310'701	-8'518'431
Non-current liabilities	-6'561'914	-4'129'773
Net assets	16'163'658	16'403'244

Reconciliation to carrying amount

Opening net assets	16'403'244	15'485'437
Result for the period	-107'429	887'835
Other comprehensive income	-132'157	29'972
Closing net assets at 31 December	16'163'658	16'403'244
Group's share in %	29.7	25.0
Group's share in CHF	4'794'864	4'100'811
Goodwill	9'078'353	6'100'479
Carrying amount	13'873'217	10'201'290

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

(CHF)	2022	2021
Revenue	18'187'054	14'595'547
Result from continuing operations	-107'429	887'835
Profit for the period	-107'429	887'835
Other comprehensive income	-132'157	29'972
Total comprehensive income	-239'586	917'807
Group's share of profit for the period before elimination	-31'868	221'959
Elimination of not realized profit on sale by Keri Medical	-19'236	-179'432
Group's share of profit for the period after elimination	-51'104	42'527
Group's share of OCI for the period	-39'204	7'493

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.

5.3 Related party disclosures

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

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

5.4 Events after the reporting period

In December 2022 Medartis decided to participate in a capital increase round from Keri Medical, in order to avoid any dilution of its existing shares. The proceeds of CHF 1.5 million were paid in early January 2023.

Also, the Board of Directors decided in its meeting on 9 March 2023, to further increase its stake towards 47%. The transaction is expected to close until end of March 2023.

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 2022, and 2021 are as follows:

(CHF)	2022	2021
Net proceeds of deliveries of implants	181'874'556	159'290'256
Net proceeds of services	949'862	589'980
Total revenue	182'824'418	159'880'236

§ 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.

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.

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

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 2022 and 2021 are as follows:

(CHF)	2022	2021
Wages and salaries	-66'753'070	-55'773'824
Pensions	-3'758'779	-4'003'601
Share-based payments	-2'231'177	-1'465'765
Bonus payments	-5'420'044	-7'836'476
Social security costs	-11'009'250	-9'905'969
Other personnel costs	-4'481'904	-2'011'729
Total personnel costs	-93'654'225	-80'997'365

Personnel costs have been recognized in the consolidated income statement:

Cost of goods sold	-8'781'542	-7'470'178
Selling and distribution	-50'176'495	-48'306'568
Research and development	-15'082'522	-11'043'109
General and administration	-19'613'665	-14'177'510
Total personnel costs	-93'654'225	-80'997'365

Average number of employees during the year	778	637
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§ 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 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 2022, this was CHF 25.3 million (2021: CHF 20.0 million), and they are recognized in research and development expenses.

(CHF)	2022	2021
Research and development		
General	-9'653'792	-9'084'148
Testing	-2'494'471	-959'639
Prototype	-2'871'552	-3'152'810
Quality	-6'779'379	-4'303'639
IBRA (International Bone Research Association)	-3'533'289	-2'546'207
Total Research and development costs	-25'332'482	-20'046'443

6.4 General and administration expenses

General and administration expenses for the years ended 31 December 2022 and 2021 are as follows:

(CHF)	2022	2021
General administration	-4'279'974	-5'249'467
Human Resources administration	-5'215'937	-3'288'444
Financial and IT administration	-7'956'009	-4'329'631
Building administration	-3'589'183	-2'989'148
Management administration	-10'323'739	-7'719'637
Subsidiary administration	-327'394	-2'384'503
Total general and administrative expenses	-31'692'236	-25'960'830

General and administration expenses include share-based payments expenses amounting to CHF 1.1 million in 2022 (2021: CHF 1.6 million). Refer to Note 8.

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

Depreciation and amortization at 31 December 2022 and 2021 are as follows:

(CHF)	2022	2021
Depreciation of property, plant and equipment and right-of-use asset		
Cost of goods sold	-3'996'959	-3'818'405
Research and development	-876'055	-978'290
Selling and distribution	-7'605'037	-6'361'197
General and administration	-4'161'263	-3'416'795
Total depreciation and impairment losses	-16'639'314	-14'574'687

(CHF)	2022	2021
Amortisation of intangible assets		
Cost of goods sold	-14'540	-33'811
Research and development	-938'903	-1'288'526
Selling and distribution	-67'194	-49'922
General and administration	-452'017	-439'789
Total amortisation and impairment losses	-1'472'654	-1'812'048

6.6 Net Finance income and costs

(CHF)	2022	2021
Finance income from loans and receivables measured at amortized cost:		
Interest income, bank	211'737	97'674
Interest income, loans and receivables	38'078	37'636
Other finance income	50'561	-
Total finance income	300'376	135'310

(CHF)	2022	2021
Finance costs from financial liabilities measured at amortized cost:		
Foreign exchange losses	-3'186'925	-1'432'837
Interest on loans and borrowings	-2'294	-3'976
Interest on lease debt	-732'059	-750'037
Other finance costs	-704'207	-715'264
Financial liabilities at fair value through profit or loss:		
Fair value loss on contingent consideration	-898'130	- ¹⁾
Total finance expense	-5'523'615	-2'902'114

¹⁾ Refer to note 7.11

§ 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)	2022	2021
Income taxes from current period	-1'519'715	-1'421'983
Income taxes from other periods	-513	-55'137
Deferred taxes	2'882'134	25'358
Total income tax income/expense	1'361'906	-1'451'762
Effective income tax rate (in %)	19%	-18%

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)	2022	2021
Profit/ (loss) before tax	-7'144'794	8'289'629
Applicable Group tax rate	13.04%	13.04%
Income tax at the applicable Group tax rate	931'681	-1'080'968
Higher or lower tax rate of subsidiaries in other jurisdiction	4'950'520	7'094'690
Non-deductible expenses	-1'342'079	-363'280
Additional tax deductions	5'226'739	7'757'542 ¹⁾
Previously unrecognized tax losses or tax credits	288'013	-
Effect of changes in tax rates or imposition of new taxes	557'571	-
Prior year adjustments	-513	-55'137
Prior year adjustments deferred tax	1'743	26'868
Not recognized tax losses / deferred taxes in current year	-6'353'577	-7'684'527 ²⁾
Write-off of deferred tax assets	-2'752'865	-7'065'282 ³⁾
Other	-145'328	-81'668
Effective income tax income/expense	1'361'906	-1'451'762

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

²⁾ Not recognized tax losses and deferred tax assets which arise from intercompany profits and tax loss carry forwards

³⁾ Write-off of deferred tax assets on intercompany profits and losses carry forward

The following table explains movements in tax loss carry forwards and tax credits:

(CHF)	2022	2021
At 1 January	22'775'185	17'870'942
Currency translation adjustments	-53'495	-546'286
Tax losses and credits arising from current year	18'999'575	7'118'960
Tax losses and credits utilized against current year profits	-2'533'348	-1'668'430
Total available tax loss carry forwards and tax credits	39'187'917	22'775'185

Deferred tax assets have not been recognized in respect of tax losses of CHF 25.6 million (2021 CHF 22.8 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:

2022

(CHF)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forward, tax credits	Other	Total
Deferred tax assets at 1 January	193'016	-	27'217'177	820'906	5'782'093	34'013'191
Deferred tax liabilities at 1 January	-3'630'842	-13'505	-724'064	-	-26'244	-4'394'655
Net deferred tax balance at 1 January	-3'437'826	-13'505	26'493'113	820'906	5'755'849	29'618'536
(Charged) / credited to income statement	960'022	-706'389	731'136	2'017'486	-120'121	2'882'134
Charged to statement of comprehensive income	-	-	-	-	-2'111'056	-2'111'056
Deferred taxes acquired in business combination	-1'671'309	-3'953'243	58'204	-	216'871	-5'349'477
Currency translation adjustments	61'723	174'608	-66'065	-27'965	18'597	160'898
Net deferred tax balance at 31 December	-4'087'390	-4'498'530	27'216'388	2'810'427	3'760'142	25'201'036
Deferred tax assets at 31 December	2'062'692	381'053	27'292'107	2'810'427	4'419'406	36'965'685
Deferred tax assets after netting at 31 December	-	-	-	-	-	25'307'669
Deferred tax liabilities at 31 December	-6'150'082	-4'879'584	-75'720	-	-659'264	-11'764'649
Deferred tax liabilities after netting at 31 December	-	-	-	-	-	-106'633

2021

(CHF)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forward, tax credits	Other	Total
Deferred tax assets at 1 January	198'690	-	27'294'101	1'507'032	5'979'066	34'978'889
Deferred tax liabilities at 1 January	-3'777'338	-40'516	-1'290'916	-	-	-5'108'771
Net deferred tax balance at 1 January	-3'578'649	-40'516	26'003'185	1'507'032	5'979'066	29'870'118
(Charged) / credited to income statement	141'220	27'011	495'407	-646'615	8'335	25'358
Charged to statement of comprehensive income	-	-	-	-	-267'347	-267'347
Currency translation adjustments	-397	-	-5'479	-39'512	35'795	-9'593
Net deferred tax balance at 31 December	-3'437'826	-13'505	26'493'113	820'906	5'755'849	29'618'536
Deferred tax assets at 31 December	193'016	-	27'217'177	820'906	5'782'093	34'013'191
Deferred tax assets after netting at 31 December	-	-	-	-	-	29'632'042
Deferred tax liabilities at 31 December	-3'630'842	-13'505	-724'064	-	-26'244	-4'394'655
Deferred tax liabilities after netting at 31 December	-	-	-	-	-	-13'505

At 31 December 2022, there was no recognized deferred tax liability (2021: 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)	2022	2021
Net (loss) / income attributable to shareholders	-5'782'888	6'837'867
Weighted average number of shares - basic	11'834'473	11'800'696
Basic earnings per share	-0.49	0.58

§ 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 2022 and 2021 are as follows:

(CHF)	2022	2021
Accounts receivable trade	39'930'683	32'499'440
Accounts receivable other, thereof:		
Advanced payments machinery	555'185	132'894
Other	4'876'634	3'685'242
Total accounts receivable other	5'431'820	3'818'135

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

(CHF)	2022	2021
1 January	-930'225	-1'021'695
Additional provision created	-279'006	91'471
31 December	-1'209'231	-930'225

The ageing of trade receivables at 31 December 2022 and 2021 past due, are as follows:

2022 (CHF)	Not past due	Total past due	6 months	1 year	2 years	3 years	more than 3 years
Trade receivables, gross	23'873'026	17'266'888	10'617'969	3'701'025	2'066'780	505'876	375'237
Expected credit loss	-149'981	-1'059'250	-83'469	-92'092	-116'156	-392'297	-375'237

2021 (CHF)	Not past due	Total past due	6 months	1 year	2 years	3 years	more than 3 years
Trade receivables, gross	21'240'229	12'189'435	8'001'571	2'271'450	1'108'630	303'797	503'988
Expected credit loss	-130'210	-800'015	-47'595	-36'380	-35'438	-176'719	-503'883

§ 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 lifetime losses is applied. The expected credit losses above also incorporate forward looking information.

7.2 Inventories

(CHF)	2022	2021
Goods for sale	23'969'567	21'541'524
Sets	27'420'514	24'546'193
Raw materials	1'019'173	715'398
Semi-finished products	11'511'128	4'993'533
Packaging	68'861	49'643
Work in progress	5'671'018	2'280'985
Goods in transit	243'114	176'239
Total ¹⁾	69'903'374	54'303'515

¹⁾ Including write-downs

(CHF)	2022	2021
write-down Goods for sale	-1'200'443	-963'012
write-down Sets	-6'241'866	-4'503'173
write down Raw materials	-432'701	-211'479
Total write-downs	-7'875'011	-5'677'664

§ 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.

7.3 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.

7.4 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 2021	25'017'812	4'454'396	5'308'828	1'810'279	37'822'867	31'077'564	584'457	106'076'204
Additions	759'185	149'399	436'401	324'672	6'354'192	-37'842	36'348	8'022'355
Disposals	-908	-76'296	-53'350	-519'129	-1'063'850	-	-	-1'713'533
Currency translation effects and other	-22'988	-10'452	-34'204	-42'455	-235'218	-25'321	-10'566	-381'204
At 31 December 2021	25'753'101	4'517'048	5'657'674	1'573'367	42'877'991	31'014'401	610'240	112'003'822
Additions	3'100'250	454'364	1'745'786	91'756	8'701'428	1'312'858	28'743	15'435'185
Business combination	5'867'803	550'845	203'701	-	-	1'406'511	-	8'028'860
Disposals	-274'070	-97'925	-109'437	-432'533	-434'811	-11'826	-	-1'360'602
Currency translation effects and other	-357'853	-32'090	-44'783	-34'625	-1'521'820	-40'117	-19'057	-2'050'344
At 31 December 2022	34'089'231	5'392'243	7'452'942	1'197'965	49'622'788	33'681'827	619'925	132'056'921
Depreciation and impairment losses								
At 1 January 2021	-16'082'366	-3'009'060	-3'893'346	-1'321'414	-27'352'167	-12'845'214	-391'687	-64'895'255
Depreciation charge	-1'408'594	-263'973	-870'625	-349'568	-4'531'200	-1'437'215	-45'956	-8'907'131
Depreciation on disposals	208	36'012	40'714	476'724	957'465	-	-	1'511'123
Currency translation effects and other	-6'049	152'442	8'305	30'616	249'458	5'205	7'741	447'718
At 31 December 2021	-17'496'801	-3'084'579	-4'714'953	-1'163'642	-30'676'444	-14'277'224	-429'903	-71'843'546
Depreciation charge	-2'079'178	-369'094	-848'499	-243'431	-5'508'985	-1'633'384	-47'272	-10'729'843
Depreciation on disposals	270'136	34'661	91'384	293'524	391'330	7'884	-	1'088'919
Currency translation effects and other	41'002	32'698	52'781	27'928	1'828'602	54'846	12'227	2'050'085
At 31 December 2022	-19'264'840	-3'386'314	-5'419'286	-1'085'621	-33'965'497	-15'847'878	-464'948	-79'434'385
Net book value - 1 January 2021	8'935'445	1'445'336	1'415'482	488'865	10'470'700	18'232'349	192'770	41'180'948
Net book value - 31 December 2021	8'256'300	1'432'469	942'721	409'725	12'201'547	16'737'177	180'337	40'160'276
Net book value - 31 December 2022	14'824'391	2'005'929	2'033'655	112'344	15'657'290	17'833'950	154'977	52'622'536

§ 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. Estimated useful lives of major classes of depreciation assets:

Asset class	Depreciation method	Useful life
Machinery	Straight-line	8 years
Sets	Straight-line	5 years
Leasehold improvements	Straight-line	20 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 2021	20'763'254	6'945'953	632'528	28'341'735
Additions	1'419'600	1'856	188'106	1'609'562
Depreciation expense	-3'466'163	-1'769'309	-432'084	-5'667'556
Currency translation effects	47'513	-	64'681	112'194
31 December 2021	18'764'204	5'178'500	453'231	24'395'935
Additions	6'294'140	663'936	1'043'719	8'001'795
Depreciation expense	-3'914'036	-1'539'088	-456'347	-5'909'471
Currency translation effects	88'326	-	84'293	172'619
31 December 2022	21'232'634	4'303'348	1'124'896	26'660'877

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

(CHF)

Profit or loss	2022	2021
Depreciation ROA	-5'909'471	-5'667'556
Interest expense lease liabilities	-732'059	-750'037
Expense: short-term leases	-427'871	-499'097
Expense: low-value assets	-	-
Variable lease payments	-896'678	-327'490

The Group recognized a cash outflow of CHF 5.0 million (2021: 4.7 million) for the repayment of lease liabilities and of CHF 0.7 million (2021: 0.8 million) for interest paid on lease liabilities.

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.

7.6 Intangible assets

Reconciliation of beginning and ending balances by classes of assets:

(CHF)	Goodwill	Research & Development	Product Technology	Customer Base	Software	Other	Total
Cost							
At 1 January 2021	2'612'013	6'148'396	-	4'444'512	9'328'229	111'699	22'644'848
Additions	-	1'046'815	-	-	813'875	503'772 ¹⁾	2'364'462
Currency translation effects	-63'064	-	-	-	-7'467	-8'598	-79'129
At 31 December 2021	2'548'949	7'195'211	-	4'444'512	10'134'636	606'873	24'930'181
Additions	-	1'469'162	-	-	504'498	1'385'115 ²⁾	3'358'775
Business combination	37'555'649	-	20'935'637	-	153'794	-	58'645'080
Currency translation effects	-1'555'524	-	-925'278	-	3'064	32'682	-2'445'056
At 31 December 2022	38'549'073	8'664'372	20'010'359	4'444'512	10'795'993	2'024'670	84'488'980
Amortisation and impairment							
At 1 January 2021	-	-777'959	-	-4'444'512	-5'979'010	-	-11'201'482
Amortization charge	-	-408'629	-	-	-799'172	-75'566	-1'283'367
Impairment losses	-	-528'681	-	-	-	-	-528'681
Currency translation effects	-	-	-	-	1'056	-	1'056
At 31 December 2021	-	-1'715'270	-	-4'444'512	-6'777'126	-75'566	-13'012'473
Amortization charge	-	-668'130	-	-	-674'913	-129'611	-1'472'654
Impairment losses	-	-	-	-	-	-	-
Currency translation effects	-	-	-	-	-12'472	-	-12'472
At 31 December 2022	-	-2'383'400	-	-4'444'512	-7'464'511	-205'177	-14'497'599
Net book value							
At 1 January 2021	2'612'013	5'370'437	-	-	3'349'218	111'699	11'443'367
At 31 December 2021	2'548'949	5'479'941	-	-	3'357'510	531'307	11'917'708
At 31 December 2022	38'549'073	6'280'973	20'010'359	-	3'331'482	1'819'493	69'991'381

¹⁾ Includes a distribution agreement for Keri Medical products acquired in 2021

²⁾ Includes a distribution licence for Field Orthopaedics products acquired in 2022

The goodwill recognized amounts to CHF 38.5 million (2021: CHF 2.5 million) thereof CHF 36.0 originated from the acquisition of NSI in 2022 and CHF 2.6 million 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 2022.

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 six-year period. The pre-tax discount rate applied to cash flow projections is 10.3% (2021: 7.6%) and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate based on weighted long-term inflation rates (2021: 4%). The growth rate does not exceed the long-term average growth rate for the medical technology sector. The gross profit margin applied ranges from 81% in the year 2023 and 78% for the normalised terminal year. (2021: 84%).

Based on the impairment test conducted, no impairment on goodwill was recognized during the periods under review. The acquired product technology of CHF 20 million originated from the acquisition of NSI in May 2022. The product technology comprises various products in development with different stages of completion.

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 in 2020. The impairment was caused by a reassessment of future sales growth in Brazil.

In 2022 R&D projects in the amount of CHF 0 million were impaired (2021: CHF 0.5 million).
As of 31 December 2022 R&D projects amounting to CHF net 6.3 million were capitalized (2021: 5.5 million).

At 31 December 2022, the maximum amount of unrecognised potential future commitments for the acquisition of another distribution licence is CHF 1.4 million (2021: CHF 0). These amounts are undiscounted and are not risk-adjusted, and the amounts include all such potential payments that can arise assuming that all products currently under development are successful and all possible objectives and performance targets are met.

§ 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.

Licences with finite useful lives

The Group has entered into in-licensing agreements or similar arrangements which require Medartis to make certain (milestones) payments dependent on the achievement of agreed objectives or performance targets as defined in the arrangements ('variable or contingent considerations'). Executory payments are excluded from initial measurement ('cost accumulation approach'), and contingent payments are capitalised as part of the costs of intangible assets when they become probable, if they meet the definition of an asset, or expensed as incurred.

7.7 Accounts payable trade and other

The contractual maturities of accounts payable trade and accounts payable other at 31 December 2022 and 2021 are as follows:

(CHF)	2022	2021
Accounts payable trade	9'595'396	8'239'159
Salary and social security	1'192'879	931'249
Deferred compensation	684'334	635'187
Unused vacation	3'415'246	2'730'545
Bonus payments	4'938'247	7'882'613
Sales commission	1'195'097	1'162'236
VAT and other non-income taxes	1'215'216	1'658'444
Other	2'550'450	686'538
Accounts payable other	15'199'081	15'686'813
Income tax payables	375'130	426'211
Accrued expenses	2'666'442	2'449'013

Payables for sales commission qualify as financial instruments. This amounts to CHF 1.2 million (2021: CHF 1.2 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 payables 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 the 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 2022 and 2021 is as follows:

(CHF)	2022	2021
Lease liabilities, current	-5'157'742	-4'587'284
Other financial liabilities	-461'705	-
Current financial debt and other financial liabilities	-5'619'447	-4'587'284

§ 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 2022 and 2021 are as follows:

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

Category 'Dismantling provision' includes a provision for the removal of the interior fittings leasehold improvement in the rented premises in Basel, Switzerland.

Category "Legal provisions" includes the provision related to the investigations in Brazil and the lawsuit Extremity Medical, LLC filed against Nextremity Solutions, Inc. For further details please refer to Note 10.2

Category 'Restructuring provision' includes a provision regarding the closure of the US office in Exton.

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.

(CHF)	Dismantling provision	Jubilee provision	Legal provisions	Restructuring provision	Other provisions	Total
1 Jan 2022	1'000'000	1'238'861	2'330'460	-	986'081	5'555'402
Additions charged during the year	100'000	-	-	2'912'931	346'669	3'359'600
Business combination	-	-	990'232	-	2'473'506	3'463'738
Unused amounts released	-	-34'235	-	-	-116'176	-150'411
Amounts used	-	-44'868	-87'913	-914'676	-2'762'735	-3'810'192
Currency translation adjustments	-	-	-33'163	-84'566	29'408	-88'321
31 Dec 2022	1'100'000	1'159'758	3'199'615	1'913'689	956'753	8'329'816
Current	-	-	3'199'615	1'913'689	956'753	6'070'058
Non-current	1'100'000	1'159'758	-	-	-	2'259'758

(CHF)	Dismantling provision	Jubilee Provision	Legal provisions	Restructuring provision	Other provisions	Total
1 Jan 2021	1'000'000	1'249'391	2'696'235	-	572'429	5'518'055
Additions charged during the year	-	-98'762	-	-	429'524	330'763
Unused amounts released	-	-	-	-	-10'713	-10'713
Amounts used	-	88'232	-358'616	-	-19'424	-289'809
Currency translation adjustments	-	-	-7'159.01	-	14'266	7'107
31 Dec 2021	1'000'000	1'238'861	2'330'460	-	986'081	5'555'402
Current	-	-	2'330'460	-	986'081	3'316'541
Non-current	1'000'000	1'238'861	-	-	-	2'238'861

§ 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 11'856'569 registered shares (2021: 11'814'368) of CHF 0.20 (2021: 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 2022 Medartis Holding AG increased its share capital by issuing 42'201 new shares to 11'856'569 registered shares from its conditional share capital.

In 2021 Medartis Holding AG increased its share capital by issuing 36'220 new shares to 11'814'368 registered shares from its conditional share capital.

As of 31 December 2022 the conditional share capital for employee benefits amounts to CHF 116'866 (2021: 105'328), the conditional share capital for bonds and other instruments amounts to CHF 1'056'957 (2021: CHF 1'056'957) and the authorised capital amounts to CHF 1'180'610 (2021: CHF 1'175'053).

To align the presentation of the equity components to that in the individual financial statements of Medartis Holding AG, an amount of CHF 1.1 million (2021: CHF 0.8 million) has been reclassified from retained earnings to capital reserves.

In 2022 Medartis paid out no dividends to shareholders. There are no dividend payments planned for 2023.

7.11 Financial debt

(CHF)	2022	Maturity		
		till 1 year	1-5 years	over 5 years
Lease liabilities, current	5'157'742	5'157'742	-	-
Other current financial liabilities	461'705	461'705	-	-
Current financial debt and other financial liabilities	5'619'447	5'619'447	-	-
Lease liabilities, non-current	21'872'441	-	18'600'370	3'272'071
Other non-current financial liabilities	463'132	-	463'132	-
Non-current financial debt and other financial liabilities	22'335'573	-	19'063'503	3'272'071
Contingent consideration	24'082'920	-	24'082'920	-
Total net interest-bearing debt	52'037'940	5'619'447	43'146'422	3'272'071

(CHF)	2021	Maturity		
		till 1 year	1-5 years	over 5 years
Lease liabilities, current	4'587'284	4'587'284	-	-
Current financial debt and other financial liabilities	4'587'284	4'587'284	-	-
Lease liabilities, non-current	19'487'538	-	18'081'636	1'405'903
Non-current financial debt and other financial liabilities	19'487'538	-	18'081'636	1'405'903
Total net interest-bearing debt	24'074'822			

Reconciliation of liabilities arising from financing activities

(CHF)	2022	2021
1 January	24'074'822	27'177'136
Increase in lease debts	8'001'795	1'609'562
Repayment of lease debts	-5'046'435	-4'706'192
Change in current financial debts	461'705	-5'683
Change in non-current financial debts	463'132	
Recognition of contingent consideration	23'184'790	
Fair value loss on contingent consideration	898'130	
31 December	52'037'940	24'074'822

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.

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 2022, the net pension liability amounts to CHF -1.8 million (2021: CHF -17.7 million)

(CHF)	2022	2021
Fair value of plan assets	56'932'318	48'668'191
Present value of defined benefit obligation	-58'736'328	-66'407'775
Total net book value of employee benefits	-1'804'010	-17'739'584

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.

Cost of defined benefit plans

(CHF)	2022	2021
Service costs		
Current service cost (employer)	3'319'104	3'519'893
Total service cost	3'319'104	3'519'893
Administration cost (excl. cost for managing plan assets)	33'204	32'381
Net interest on employee benefits	53'469	38'867
Total pension expenses recorded in income statement	3'405'777	3'591'141

Remeasurements of employee benefits

(CHF)	2022	2021
Actuarial gains/losses		
Changes in financial assumptions	-18'578'607	-44'751
Changes in demographic assumptions	-	-3'173'874
Experience adjustments	2'680'789	1'475'807
Return on plan assets excl. interest income	-291'258	-307'388
Total remeasurements recorded in other comprehensive income	-16'189'076	-2'050'206

Change in fair value of plan assets

(CHF)	2022	2021
Fair value of plan assets at 1.1.	48'668'191	45'613'479
Interest income on plan assets	157'727	93'880
Contributions by the employer	3'152'275	2'949'353
Contributions by plan participants	1'576'135	1'474'675
Benefits deposited / (paid)	3'086'732	-1'770'584
Return on plan assets excl. interest income	291'258	307'388
Fair value of plan assets at 31.12.	56'932'318	48'668'191

Change in present value of defined benefit

(CHF)	2022	2021
Defined benefit obligation at 1.1.	66'407'775	64'761'481
Interest expense on defined benefit obligation	211'196	132'747
Current service cost (employer)	3'319'104	3'519'893
Contributions by plan participants	1'576'135	1'474'675
Benefits deposited / (paid)	3'086'732	-1'770'584
Administration cost (excl. cost for managing plan assets)	33'204	32'381
Actuarial (gain) / loss on defined benefit obligation	-15'897'818	-1'742'818
Defined benefit obligation at 31.12.	58'736'328	66'407'775

Asset allocation of investments as at 31 December

(CHF)	2022	2021
Others	56'932'318	48'668'191
Total	56'932'318	48'668'191

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 2022 in Switzerland was CHF 0.4 million (2021: CHF 0.4 million)

Plan Participants

	Active 2022	2021
Number	349	286
Present value of defined obligation in CHF	58'736'328	66'407'775
Share in %	100	100
Weighted average duration in years	14	18.1

There are no retired plan participants for the years 2022 and 2021.

For the reporting year 2023 employer contributions of CHF 3.5 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 %	2022	2021
Discount rate	2.20	0.30
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 31.12.2022	Increase	Decrease
Discount rate (0.25%)	-2'019'909	2'006'987
Salary increase (0.25%)	450'160	-553'757
Impact on DBO at 31.12.2021	Increase	Decrease
Discount rate (0.25%)	-2'887'242	3'124'981
Salary increase (0.25%)	678'367	-662'511

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 of 31 December 2022, there exists a provision in the amount of CHF 1.2 million (2021: CHF 1.2 million) for other long-term employee benefits. Please refer to note 7.9.

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.

The vesting condition is continued employment until the allocation Date.

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.

During the reporting period 8'164 RS (restricted shares) and 2'331 RSU (restricted share units) were granted. (2021: 12'986 RS and 4'259 RSU)

The related expenses amount to CHF 1.1 million (2021: CHF 1.3 million).

Medartis Board of Directors Restricted Share Plan

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

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

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

During the reporting period 3'352 RS (restricted shares) were granted. (2021: 9'627 RS)

The related expenses amount to CHF 0.4 million (2021: CHF 0.7 million).

Medartis Employee Share Purchase Plan 1

With a grant date of 31 May 2022, eligible employees in Switzerland, Australia, Austria, France, Germany, UK and USA have been able to purchase Medartis Holding AG shares up to a maximum of 15% of their prior year base salary as well as 100% of their last STI (short-term variable compensation) pay-out at a discount of 25%. The grant value is based on the average share price over the 20 day period ending before the allocation date.

During the reporting period, 12'474 RS (restricted shares) and 202 RSU (restricted share units) were granted. (2021: 7'912 RS)

The related expenses amount to CHF 0.2 million (2021: CHF 0.3 million)

Medartis Employee Share Purchase Plan 2

With a grant date of 31 January 2022, eligible employees in Switzerland have been able to purchase Medartis Holding AG shares up to a maximum of 15% of their prior year base salary as well as 100% of their last STI (short-term variable compensation) pay-out at a discount of 25%. The grant value is based on the average share price over the 20 day period ending before the allocation date. The shares are restricted for two years. During the reporting period, 9'747 RS (restricted shares) were granted.

The related expenses amount to CHF 0.2 million.

Sign on bonus for NSI employees

In context with the NSI Acquisition a larger group of former employees of Nextremity have received a sign on retention bonus. This bonus will be vested in 3 instalments from 2024 – 2026 with an additional selling restriction of 1 year each. The settlement will be in restricted share units (RSU's) of Medartis Holding AG. For the reporting period the related expenses amount to CHF 0.5 million.

§ 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	2022	2021
Dr. h.c. Thomas Straumann	47.44%	47.62%
Nordflint Capital Partners Fondsmæglerelskab A/S	9.15%	6.00%
NexMed Holding AG	7.77%	7.80%
Endeavour Medtech Growth LP	6.56%	6.59%
Willi Miesch	5.21%	5.23%

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

(CHF)	2022	2021
Sales of goods to:		
Institut Straumann AG	26'460	3'199
Purchase of goods from:		
Associate	3'187'555	3'932'092
Services rendered to:		
centerVision AG	34'055	30'378
Services received from:		
IBRA, International Bone Research Association	-3'936'008	-2'837'922
CJG Consulting	-23'156	-
Total related party transactions	-711'093	1'127'747

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

(CHF)	2022	2021
centerVision AG	779'365	696'208
IBRA, International Bone Research Association	-64'767	-6'880
CJG Consulting	-5'170	-
Total open balances	709'428	689'328

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

(CHF)	2022	2021
Fees, salaries and other short-term benefits	4'056'577	5'430'009
Post-employment benefits	1'248'595	1'430'889
Share-based payment transactions	1'825'489	2'219'858
Total	7'130'661	9'080'756

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 2022, the Group had CHF 2.6 million other commitments (2021: CHF 0).

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. 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, 2022, the Group's quantifiable contingencies amounted to CHF 0 (2021: 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.

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

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

Medartis 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 up to CHF 2.1 million (2021: CHF 2.3 million). Accordingly, a corresponding provision exists (please refer to Note 7.9).

On February 25, 2022, Extremity Medical, LLC filed a lawsuit against Nextremity Solutions, Inc. ("Nextremity"), Zimmer Biomet Holdings, Inc. and Zimmer, Inc. (together "Zimmer") for patent infringement in the US in connection with a product manufactured by Nextremity for Zimmer. Medartis will be indemnified by the former Nextremity shareholders from any costs incurred in connection with this claim, subject to a deductible in the amount of CHF 0.4 million (USD 0.4 million). Accordingly, an indemnification asset in the amount of CHF 0.6 million (USD 0.6 million) and a provision in the amount of CHF 1.0 million (USD 1.0 million) has been posted. Refer to Note 5.1.

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:

	2022 per CHF	2021 per CHF
Euro (EUR)	1.01433	0.96490
US Dollar (USD)	1.08294	1.09274
Australian Dollar (AUD)	1.59474	1.50600

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:

	2022 per CHF	2021 per CHF
Euro (EUR)	0.99615	0.92264
US Dollar (USD)	1.05234	1.09494
Australian Dollar (AUD)	1.51331	1.45408



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 9 March 2023

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 balance sheet as at 31 December 2022 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 90 to 133) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.



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We have fulfilled the responsibilities described in “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.

Recoverability of deferred tax asset

Risk	<p>Medartis Group operates in multiple jurisdictions and is therefore exposed to numerous tax laws around the world.</p> <p>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.</p> <p>The significance of the deferred income tax assets and the judgment involved in assessing their recoverability made us conclude that the recoverability of deferred tax assets is a key audit matter of our audit (Note 6.7).</p>
Our audit response	<p>We evaluated the Group process for the identification and evaluation of deferred tax assets.</p> <p>We also considered the Group process for the recording and continuous re-assessment of deferred taxes.</p> <p>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 with the involvement of our internal tax experts the probability that future taxable profit will be available against which deductible temporary differences will be utilized.</p> <p>We analyzed the off-setting and presentation of deferred tax positions.</p> <p>Our audit procedures did not lead to any reservations concerning deferred tax assets.</p>

Acquisition accounting

Risk	<p>Medartis acquired Nextremity Solutions Inc. (“NSI”), a strategic development and commercialization organization located in Warsaw, USA. The total purchase price for the transaction amounts to CHF 65,7 million and includes contingent consideration of CHF 24,3 million.</p> <p>Following the acquisition of NSI, management prepared a Purchase Price Allocation (“PPA”). Note 5.1 provides a description of the transaction.</p>
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The determination of identifiable and separable intangible assets acquired is exposed to risks given the large portion of value of the transaction attributed to synergies and intangibles, with total intangible and goodwill balances of CHF 58,5 million.

The significant size of the NSI acquisition and complexity of the process requires complex and judgmental valuation techniques applied by management when preparing the PPA. We therefore deem this as a key audit matter for the year 2022.

Our audit response

In respect of the determination of identifiable and separable intangible assets acquired, we evaluated the valuation techniques adopted and tested the appropriateness of the underlying assumptions, and the mathematical accuracy of the valuation models with the support of our internal valuation specialists embedded in the engagement team.

We corroborated management's assumptions through benchmarking with available external data including discount rates, royalty rates, attrition rates, contributory asset charges and useful lives.

We held discussions with experts employed by management to assist in the identification of separable intangible assets and the valuation thereof and evaluated the findings and conclusions in their report.

We assessed the competence, capability and objectivity of experts employed by management.

Our work was performed by the Group audit team and the valuation specialists embedded in the engagement team.

In respect of the recognition and valuation of provisions identified during the preparation of the PPA, we examined how management determined all material provisions and examined the key assumptions and calculations used by management in determining the provision in accordance with IAS 37.

We assessed the reasonableness and completeness of the disclosures made in note 5.1 of the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the acquisition accounting of NSI.



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**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 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, ISA and SA-CH 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 on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our 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

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 'Daniel Zaugg'.

Daniel Zaugg
Licensed audit expert

Financial Statements of Medartis Holding AG, Basel

Balance sheet

in CHF

Assets	Notes	31 Dec 2022	31 Dec 2021
Cash and cash equivalents		82'990	33'513'164
Trade receivables	2	2'060'911	14'543'172
Other receivables	3	163'373	40'456
Total current assets		2'307'274	48'096'793
Financial assets	4	231'298'959	181'067'728
Shareholdings	5	1'000'000	1'000'000
Total non-current assets		232'298'959	182'067'728
Total assets		234'606'232	230'164'520

Balance sheet

in CHF

Equity and liabilities	Notes	31 Dec 2022	31 Dec 2021
Trade payables	6	72'402	48'348
Other current liabilities	7	1'991'108	80'667
Deferred income and accrued expenses		83'076	86'873
Current provisions	8	243'000	383'000
Total current liabilities		2'389'586	598'888
Share capital		2'371'314	2'362'874
Capital contribution reserves		258'418'432	254'971'073
Retained earnings			
Loss carryforward		-27'768'314	-28'613'933
Net loss/income for the year		-804'786	845'619
Total equity		232'216'646	229'565'632
Total equity and liabilities			
Total equity and liabilities		234'606'232	230'164'521

Income statement

(CHF)	Notes	2022	Dec 2021
Other operating expenses	9	-2'829'585	-903'302
Earnings before interest and tax (EBIT)		-2'829'585	-903'302
Financial expenses	10	-10'152	-205'625
Financial income	10	2'035'535	2'081'546
Operating result before taxes		-804'202	972'619
Direct taxes		-584	-127'000
Net result for the year		-804'786	845'619

Notes to the financial statements

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

(CHF)	31 Dec 2022	31 Dec 2021
Subsidiaries	2'060'911	14'543'172
Total trade receivables	2'060'911	14'543'172

3. Other receivables

(CHF)	31 Dec 2022	31 Dec 2021
Tax	151'736	30'163
Other	11'637	10'293
Total other receivables	163'373	40'456

4. Financial assets

(CHF)	31 Dec 2022	31 Dec 2021
Loans to subsidiaries	231'298'959	181'067'728
Total financial assets	231'298'959	181'067'728

5. Shareholdings

Direct shareholdings

Medartis AG, Switzerland (Basel)		31 Dec 2022	31 Dec 2021
Share capital	CHF	1'000'000	1'000'000
Participation quota		100%	100%

Indirect shareholdings

Medartis GmbH, Germany (Umkirch)		31 Dec 2022	31 Dec 2021
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 2022	31 Dec 2021
Share capital	EUR	35'000	35'000
Capital reserve	EUR	100'000	100'000
Participation quota		100%	100%

Medartis Sarl, France (Lyon)		31 Dec 2022	31 Dec 2021
Share capital	EUR	15'000	15'000
Participation quota		100%	100%

Medartis LTD, UK (Derby)		31 Dec 2022	31 Dec 2021
Share capital	GBP	3'700'000	3'700'000
Participation quota		100%	100%

Medartis INC, USA (Delaware)		31 Dec 2022	31 Dec 2021
Share capital	USD	10	10
Participation quota		100%	100%

Lakeland Technology Holdings LLC (Warsaw)		31 Dec 2022	31 Dec 2021
Share capital	USD	0	0
Participation quota		100%	0%

Medartis S A de C V, Mexico (Mexico)		31 Dec 2022	31 Dec 2021
Share capital	MXN	100'000	100'000
Participation quota		100%	100%

Medartis Sp zoo, Poland (Wroclaw)		31 Dec 2022	31 Dec 2021
Share capital	PLN	200'000	200'000
Participation quota		99%	99%

Medartis Australia & New Zealand Pty LTD, Australia (Albion)		31 Dec 2022	31 Dec 2021
Share capital	AUD	1'203'000	1'203'000
Participation quota		100%	100%
Medartis New Zealand LTD, New Zealand (Auckland)		31 Dec 2022	31 Dec 2021
Share capital	NZD	1'000	1'000
Participation quota		100%	100%
Medartis Iberia SL, Spain (Barcelona)		31 Dec 2022	31 Dec 2021
Share capital	EUR	3'000	3'000
Participation quota		100%	100%
Medartis do Brasil Participacoes Ltda, Brasil (Sao Paulo)		31 Dec 2022	31 Dec 2021
Share capital	BRL	25'157'562	25'157'562
Participation quota		100%	100%
Extera Importação e Exportação Ltda, Brasil (Sao Paulo)		31 Dec 2022	31 Dec 2021
Share capital	BRL	18'000'000	18'000'000
Participation quota		100%	100%
Medartis Co Ltd, Japan (Tokyo)		31 Dec 2022	31 Dec 2021
Share capital	JPY	10'000'000	10'000'000
Participation quota		100%	100%
Mimedis AG, Switzerland (Basel)		31 Dec 2022	31 Dec 2021
Share capital	CHF	100'000	100'000
Participation quota		100%	100%
Medartis International Trade (Shanghai) Co., Ltd., China		31 Dec 2022	31 Dec 2021
Share capital	CNY	30'000'000	30'000'000
Participation quota		100%	100%

6. Trade Payables

	31 Dec 2022	31 Dec 2021
Third parties	72'402	48'348
Total trade payables	72'402	48'348

7. Other Current liabilities

	31 Dec 2022	31 Dec 2021
Subsidiaries	1'991'078	80'667
Total other current liabilities	1'991'108	80'667

8. Provisions

Current provisions	31 Dec 2022	31 Dec 2021
Other provisions	243'000	383'000
Total current provisions	243'000	383'000

9. Other operating expenses

	31 Dec 2022	31 Dec 2021
Administrative expense	-2'402'660	-593'593
Expense for patents, trademarks and licences	-426'925	-309'709
Total other operating expenses	-2'829'585	-903'302

10. Financial cost and financial income

Financial cost	31 Dec 2022	31 Dec 2021
Interest expense	-8'703	-11'131
Exchange losses	-1'449	-194'494
Total financial cost	-10'152	-205'625

Financial income	31 Dec 2022	31 Dec 2021
Interest income	2'032'678	1'792'652
Exchange gains	2'857	288'893
Total financial income	2'035'535	2'081'546

11. Number of employees

Medartis Holding AG has no employees.

12. Fees of the auditors

	31 Dec 2022	31 Dec 2021
Fees for audit services (Medartis Group)	320'000	225'720
Fees for other services	10'000	-
Total fees of the auditors	330'000	225'720

13. Contingent liabilities

	31 Dec 2022	31 Dec 2021
Guarantee for the bank current account of Medartis AG	10'000'000	10'000'000
Guarantee for the lease liabilities of Medartis AG	43'000'000	23'000'000

14. Events after the balance sheet date

In December 2022 Medartis decided to participate in a capital increase round from Keri Medical, in order to avoid any dilution of its existing shares. The proceeds of CHF 1.5 million were paid in early Jan 2023.

Also, the Board of Directors decided in its meeting on 9 March 2023, to further increase its stake towards 47%. The transaction is expected to close until end of March 2023.

15. Major shareholders

Shareholders who own more than 5% of voting rights:

	31 Dec 2022	31 Dec 2021
Dr. h.c. Thomas Straumann (Chairman of the Board)	47.47%	47.62%
Nordflint Capital Partners Fondsmæglerselskab A/S	9.15%	6.00%
NexMed Holding AG *	7.77%	7.80%
Endeavour Medtech Growth LP	6.56%	6.59%
Willi Miesch (CEO until August 2019)	5.21%	5.23%
Total Major Shareholders	76.2%	73.2%

*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.

2022	Shares	End of blocking period of RS		
		31 Dec 2022	Apr 2023	Apr 2024
Board of Directors				
Dr. h.c. Thomas Straumann ¹⁾	5'628'440	-	-	-
Dominik Ellenrieder ²⁾	921'035	-	-	-
Willi Miesch	617'917	-	-	-
Damien Tappy ³⁾	25'365	-	-	925
Marco Gadola	12'132	8'559	-	1'156
Dr. Med. Daniel B. Herren	1'493	427	-	462
Nadia Tarolli Schmidt	347	-	-	347
Ciro Roemer	462	-	-	462
Total	7'207'191	8'986	-	3'352

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

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

³⁾ Held by DTF Holdings Ltd.

Executive Management Board	Shares	End of blocking period of RS (LTI)		
		31 Dec 2022	Apr 2023	Apr 2024
Christoph Brönnimann	31'847	5'821	-	3'933
Mareike Loch	4'443	509	-	735
Anthony Durieux-Menage	1'127	1'087	-	735
Manuel Schär	962	227	-	735
Dirk Kirsten	1'477	-	-	616
Mario Della Casa	-	-	-	-
Total	39'856	7'644	-	6'754

2021	Shares		End of blocking
	31 Dec 2021	Apr 2023	period of RS
Board of Directors			
Dr. h.c. Thomas Straumann ¹⁾	5'625'930	-	-
Dominik Ellenrieder ²⁾	921'035	-	-
Willi Miesch	617'917	-	-
Damien Tappy ³⁾	25'365	-	-
Marco Gadola	10'976	8'559	-
Dr. Med. Daniel B. Herren	1'031	427	-
Nadia Tarolli Schmidt	-	-	-
Ciro Roemer	-	-	-
Total	7'202'254	8'986	

¹⁾ Including 4'010 Shares held by a related party.

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

³⁾ Shares held by DTF Holdings Ltd.

	Shares		End of blocking
	31 Dec 2021	Apr 2023	period of RS
Executive Management Board			
Christoph Brönnimann	19'397	5'821	-
Mareike Loch	509	509	-
Anthony Durieux-Menage	1'526	1'087	-
Manuel Schär	227	227	-
Dirk Kirsten	-	-	-
Mario Della Casa	-	-	-
Total	21'659	7'644	



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To the General Meeting of
Medartis Holding AG

Basle, 9 March 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Medartis Holding AG (the Company), which comprise the balance sheet as at 31 December 2022 and the income statement for the year then ended 31 December 2022, and notes to the financial statements.

In our opinion, the financial statements (pages 139 to 146) comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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 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 responsibilities for the audit of the 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 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 (pages 139 to 146).



VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Risk Investments in and loans to subsidiaries as of balance sheet date amount to CHF 232.3 million or 99% 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.



Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



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

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

Daniel Zaugg
Licensed audit expert

Enclosures

- ▶ Financial statements (balance sheet, income statement and notes)
- ▶ Proposed appropriation of available earnings

Information for Investors and Journalists

The Medartis' shares (Symbol: MED and ISIN: CH0386200239) are listed at the SIX Swiss Exchange since the company's initial public offering in 2018 and are a constituent of the SPI, SPI Extra as well as further SXI healthcare indices.

Financial calendar

14 March 2023	2022 full-year results publication
21 April 2023	Annual General Meeting 2023
15 August 2023	2023 first-half results publication
12 March 2024	2023 full-year results publication
17 April 2024	Annual General Meeting 2024

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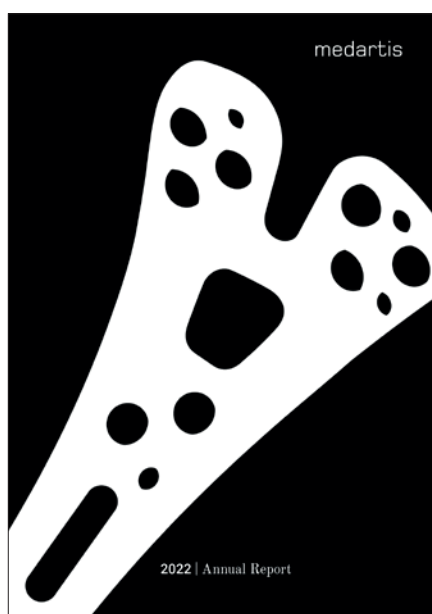
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Disclaimer

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.

Our cover image



You may be wondering why the cover of this year's Annual Report features the schematic, iconic illustration of a Medartis wrist plate. There are several compelling reasons. Firstly, a distal radius fracture - a fracture of the bone near the wrist - is one of the most common fractures in the human body, accounting for one in six fractures seen in surgical emergency rooms. Secondly, no other product represents the economic success of our company as well as this distal radius plate. With over 100,000 sales of 91 different plate types per year, Medartis has seen a steady increase in sales. We are also proud to offer the world's most comprehensive portfolio in this indication. Finally, as a tribute to our 25th anniversary in 2022, we have reversed the graphic of our first company history book. The Ying has become the Yang and vice versa. This annual report is a special edition that once again highlights our unique history.

Imprint

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Coordination
Andreas Richter, Fabian Hildbrand

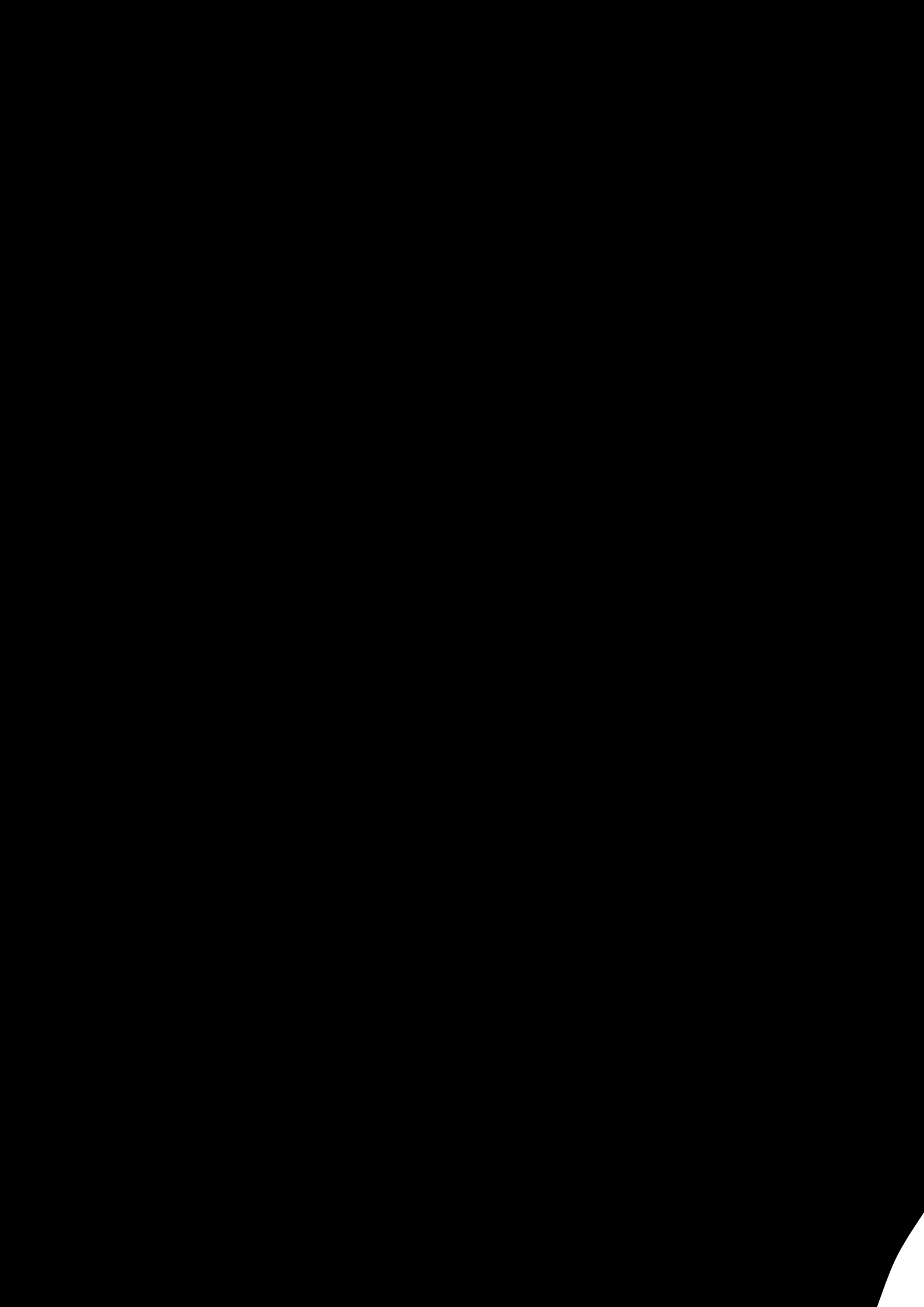
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Video content
Alexander Zibold

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