

2018

Half-Year Report

About Medartis

Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region. Medartis employs over 500 individuals across its 12 locations, with products offered in 52 countries globally. Medartis is committed to providing surgeons and operating theater personnel with the most innovative titanium implants and instruments as well as best in class services that represent advances in osteosynthesis.

For more information, please visit www.medartis.com.

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Key Figures

Sales in CHFm

61.0

23%

21% local growth

EBITDA in CHFm

9.0

15%⁽¹⁾

EBITDA margin

Strong sales growth

21% sales growth in local currencies

EBIT at 8%⁽¹⁾ of sales

121 new jobs added over 12 months

CHFm	H1 2017	H1 2018	H1 2018 (excl. IPO) ⁽¹⁾	change (excl. IPO) ⁽¹⁾
Sales	49.6	61.0	61.0	23%
Gross profit	40.9	50.1	50.3	23%
Opex	35.7	48.3	45.2	27%
Operating profit (EBIT)	5.1	1.8	5.0	-2%
EBIT margin	10%	3%	8%	-2pp
EBITDA	8.6	5.8	9.0	5%
EBITDA margin	17%	10%	15%	-2pp
Headcount	389	510	510	31%

1) Excl. capital market related costs (IPO) of CHF 3.2 million in H1 2018

Management Comments

Medartis achieved strong year-on-year sales growth of 23% in the first six months of 2018, alongside the completion of its IPO in March. Adjusted EBIDTA (excluding IPO costs) was CHF 9.0 million, up 5%, reflecting the continued expansion of the business.

23% sales growth

In the first half of 2018, Medartis increased its sales by 23% to CHF 61.0 million compared to the first six months of 2017. All of Medartis' regions and business segments contributed to this strong result. Exchange rate movements had an overall positive impact on sales; in local currencies, sales increased by 21% in the first half of 2018 compared to the prior-year period.

Growth in all regions

EMEA continued to develop strongly in the first half of 2018, with sales of CHF 34.0 million or 15% growth in local currencies. Both Medartis' subsidiaries as well as its distributor markets contributed to this strong result.

In North America, sales increased to CHF 9.3 million, with 15% growth in local currencies. Efforts to strengthen management capacity, sales force and customer education programs were intensified.

With sales of CHF 11.2 million and local growth of 18% in APAC, Medartis continued to benefit from its strong momentum in established markets and the expansion of its market presence in new countries.

In LATAM, Medartis achieved CHF 6.5 million in sales with growth in local currencies of 97%. In Brazil, where Medartis acquired and integrated its main distributor Extera in the second half of 2017, sales were strong despite the challenging macroeconomic situation. Medartis also performed well in distributor markets in South America.

Strong development of business segments

Upper Extremities, Medartis' largest business segment, recorded sales of CHF 43.5 million in the first half of 2018, up 19% compared to the same period last year. The hand, wrist and elbow product lines all contributed to the strong result. Lower Extremities, Medartis' youngest business segment, expanded dynamically as sales rose 43% to CHF 8.3 million in the first half of 2018.

The CMF and Others business segment, which also comprises instruments and containers, grew sales by 29% to CHF 9.2 million in the first six months of 2018. The CMF product line made good progress during the period.

Profit

The operating profit for the first half year was CHF 5.0 million⁽¹⁾ (8%) at the EBIT level. The net profit for the period was CHF 1.2 million (H1 2017: CHF 2.5 million).

Cash flow

Cash flow from operating activities was CHF 2.6 million compared to CHF 2.7 million in the prior-year period.

Outlook

Our 2018 full year guidance
Barring unforeseen circumstances

Sales Growth

We are confident to continue market outperformance by achieving sales growth in local currencies in the high teens

EBITDA

Targeted EBITDA margin
in the range of 15% to 16%⁽¹⁾

1) Excl. capital market related costs (IPO) of CHF 3.2 million in H1 2018

Medartis Group Interim Consolidated Financial Statements

Interim Consolidated Balance Sheet

CHF	Unaudited 30 Jun 2018	Audited 31 Dec 2017
Assets		
Current assets:		
Cash & cash equivalents	122 815 884	1 973 308
Accounts receivable trade	21 003 548	19 368 250
Accounts receivable other	495 404	1 323 939
Income tax receivables	2 286 036	3 217 140
Inventories	36 166 882	35 029 849
Prepaid expenses and accrued income	1 222 095	1 153 080
Total current assets	183 989 850	62 065 566
Non-current assets:		
Property, plant and equipment	34 631 843	32 743 881
Intangible assets	8 188 848	8 368 814
Financial assets	1 064 098	1 005 637
Deferred tax assets	27 732 122	26 308 429
Total non-current assets	71 616 911	68 426 760
TOTAL ASSETS	255 606 761	130 492 326
Liabilities and equity		
Current liabilities:		
Accounts payable trade	5 919 796	6 661 031
Accounts payable other	9 817 761	10 342 162
Accrued expenses	1 221 831	1 259 973
Current financial debt and other financial liabilities	2 222 714	12 417 442
Provisions	627 702	628 405
Total current liabilities	19 809 804	31 309 014
Non-current liabilities:		
Financial debt and other non-current liabilities	2 230 133	62 161 179
Provisions	2 238 101	2 214 311
Employee benefit obligation	13 268 455	14 057 558
Deferred tax liabilities	3 732 005	3 711 994
Total non-current liabilities	21 468 694	82 145 042
Total liabilities	41 278 498	113 454 056
Shareholders' equity:		
Issued share capital	2 348 201	1 457 897
Capital reserves	252 451 944	58 717 103
Currency translation adjustment	2 282 796	3 065 622
Retained earnings	-42 754 678	-46 202 350
Total shareholder's equity	214 328 263	17 038 271
TOTAL LIABILITIES AND EQUITY	255 606 761	130 492 326

Interim Consolidated Income Statement

CHF	Unaudited H1 2018	Unaudited H1 2017
Sales	61 035 215	49 606 056
Cost of goods sold	-10 941 371	-8 731 129
Gross profit	50 093 844	40 874 928
Selling and distribution	-29 827 347	-21 163 590
Administration	-11 590 846	-9 107 465
Research and development	-6 862 733	-5 474 511
Operating profit	1 812 918	5 129 363
Finance income	89 632	15 121
Finance expense	-1 031 814	-3 133 576
Income before taxes	870 737	2 010 907
Income tax	311 094	490 649
Net profit	1 181 831	2 501 557
Attributable to Medartis Holding AG shareholders	1 181 831	2 501 557
Basic earnings per share in CHF	0.12	1.72
There is no dilution effect		

Interim Consolidated Statement of Comprehensive Income

CHF	Unaudited H1 2018	Unaudited H1 2017
Net profit	1 181 831	2 501 557
Components of other comprehensive income (OCI)		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit post-employment plans	1 026 904	23 012
Income tax relating to items that will not be reclassified to profit or loss	-227 767	
	799 137	23 012
Items that may be reclassified subsequently to profit or loss:		
Currency translation effects	-782 825	2 331 918
	-782 825	2 331 918
Total other comprehensive income/(loss)	16 311	2 354 930
Total comprehensive income	1 198 142	4 856 487
Attributable to Medartis Holding AG shareholders	1 198 142	4 856 487

Interim Consolidated Cash Flow Statement

CHF	Unaudited H1 2018	Unaudited H1 2017
Net profit	1 181 831	2 501 557
Adjustments for:		
Income tax expense	-311 094	-490 649
Financial income	-89 632	-15 121
Financial expenses	463 647	2 460 775
Loss on disposal of property, plant and equipment		
Depreciation and amortization of:		
Property, plant and equipment	3 524 371	3 176 561
Intangible assets	460 777	267 426
Change in provisions and pension obligations	260 888	233 457
Share based compensation	1 466 705	
Changes in net working capital:		
Inventories	-1 137 033	-2 562 704
Trade and other receivables, prepaid expenses and accrued income	-875 779	-15 909
Trade and other payables	-476 194	-313 540
Interest received	89 632	15 121
Interest paid	-481 725	-299 669
Income tax paid	-1 432 453	-2 294 933
Cash flow from operating activity	2 643 942	2 662 371
Cash payments to acquire property, plant and equipment	-5 581 594	-3 280 652
Proceeds from disposals of property, plant and equipment	578 886	442 325
Cash payments to acquire intangible assets	-650 591	-188 637
Proceeds from disposals of intangible assets	24 287	2 341
Additions to financial assets	-58 462	-457 519
Cash flow used for investing activities	-5 687 473	-3 482 143
Proceeds from capital increases	142 648 963	
Transaction costs	-7 609 082	
Repayment current financial debt	-10 024 620	
Proceeds current financial debt		2 200 000
Repayment non-current financial debt	13 059	-2 308
Repayment of finance lease	-1 114 214	-581 068
Cash flow used for financing activities	123 914 107	1 616 623
Net change in cash and cash equivalents	120 870 575	796 852
Cash and cash equivalents at the beginning of the year (1 January)	1 973 308	1 757 205
Net effect of currency translation on cash and cash equivalents	-27 999	8 930
Cash and cash equivalents at the end of the half-year (30 June)	122 815 884	2 562 987

Interim Consolidated Statement of Changes in Equity

CHF Unaudited	Attributable to Medartis Holding AG shareholders				
	Share capital	Capital reserves	Currency translation difference	Retained earnings	Total shareholders' equity
1 January 2017	1 457 897	58 717 103	2 705 147	-45 775 568	17 104 578
Net profit				2 501 557	2 501 557
Other comprehensive income			2 331 918	23 012	2 354 930
Total comprehensive income			2 331 918	2 524 569	4 856 487
30 June 2017	1 457 897	58 717 103	5 037 065	-43 250 999	21 961 065
Unaudited					
1 January 2018	1 457 897	58 717 103	3 065 622	-46 202 350	17 038 271
Net profit				1 181 831	1 181 831
Other comprehensive income			-782 825	799 137	16 311
Total comprehensive income			-782 825	1 980 967	1 198 142
Conversion of financial debt into shares	291 346	59 143 279			59 434 625
Capital increase IPO	598 958	142 050 005			142 648 963
Transaction costs IPO (after tax)		-7 458 443			-7 458 443
Share based compensation				1 466 705	1 466 705
30 June 2018	2 348 201	252 451 944	2 282 796	-42 754 678	214 328 263

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate information

Medartis Holding AG is a public company domiciled and incorporated in Switzerland, whose shares are publicly traded on the SIX Swiss Exchange. The interim condensed consolidated financial statements of the Medartis Group for the six months ending 30 June 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 16 August 2018.

2. Basis of preparation and accounting policies

The interim condensed consolidated financial statements for the six months ending 30 June 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 'Leases'

The new standard was issued on 13 January 2016, and will replace IAS 17 'Leases'. The biggest change introduced by the new standard is that leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers – the standard mentions a threshold of USD 5 000) are exempt from the requirements. Based on the impact assessment Medartis decided not to choose early adoption of IFRS 16 due to significant changes in KPIs. IFRS 16 will therefore be adopted in 2019 by using the modified retrospective approach. The potential balance sheet impact on the Group's Consolidated Financial Statements has been assessed as additional assets amounting to CHF 27.4 million.

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts. Because of the inherent uncertainties, actual outcomes and results may differ from these estimates and assumptions.

3. Seasonality of operations

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

4. Changes in the scope of consolidation

The Group did not complete any business combinations in the half-year ended 30 June 2018.

The finalisation of the purchase price allocation of the subsidiaries acquired in the 2017 financial year (Extera and Mimedis) has not resulted in a restatement of the provisional values.

5. Impairment test of goodwill and development costs

In October 2018 the Group will perform for the first time an impairment test based on the value-in-use calculations for the goodwill arisen from the business combinations carried out in the second half of 2017.

As of the reporting date there are no internal or external indicators that goodwill could be impaired.

6. Shareholder's equity

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

In the six-month period ending 30 June 2018, Medartis Holding AG increased its share capital by issuing a total of 4 451 522 new shares to 11 741 007 registered shares. The corresponding share capital amounts to CHF 2.3 million (31 December 2017: CHF 1.5 million).

Of the total newly issued shares, 2 994 791 were issued on 23 March 2018 in the context of the IPO for a total consideration of CHF 142.7 million, resulting in a share premium of CHF 142.1 million.

1 456 731 newly issued shares relate to the conversion on 23 March 2018 of the convertible loan of nominal CHF 59.4 million including interest due resulting in a share premium of CHF 59.1 million.

A total of CHF 10.8 million in IPO costs were incurred from 1 January until 30 June 2018. CHF 3.2 million were expensed through profit and loss mainly in administration expenses and CHF 7.6 million were deducted from equity (before tax adjustment of CHF 0.2 million).

The capital reserve has accordingly increased by CHF 193.8 million, from CHF 58.7 million to CHF 252.5 million.

7. Financial instruments / Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

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

The following tables show the carrying amounts and fair values of financial assets and liabilities by category of financial instrument in the balance sheet at 30 June 2018 and 31 December 2017. The fair value hierarchy level is shown for those financial assets and liabilities that are carried at fair value in the balance sheet.

30 June 2018	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial assets					
Cash & cash equivalents	122 815 884				122 815 884 ⁽¹⁾
Accounts receivable trade	21 003 548				21 003 548 ⁽¹⁾
Other non-current financial assets	1 064 098				1 064 098
TOTAL	144 883 531				144 883 531
Financial liabilities					
Accounts payable trade	5 919 796				5 919 796 ⁽¹⁾
Accounts payable other	335 839				335 839
Current financial debt	2 222 714				2 222 714 ⁽¹⁾
Non-current financial debt	2 230 133				2 230 133
TOTAL	10 708 482				10 708 482

31 December 2017	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
Financial assets					
Cash & cash equivalents	1 973 308				1 973 308 ⁽¹⁾
Accounts receivable trade	19 368 250				19 368 250 ⁽¹⁾
Other non-current financial assets	1 005 637				1 005 637
TOTAL	22 347 195				22 347 195
Financial liabilities					
Accounts payable trade	6 661 031				6 661 031 ⁽¹⁾
Accounts payable other	97 680				97 680
Current financial debt	12 417 442				12 417 442 ⁽¹⁾
Non-current financial debt	62 161 179				62 161 179 ⁽²⁾
TOTAL	81 337 332				81 337 332

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

2) The shareholder loans are interest bearing

8. Segment information

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

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

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

30.06.2018 in CHF	EMEA	APAC	LATAM	North America	Total
Sales	33 971 750	11 164 328	6 549 882	9 349 256	61 035 215
Non-current assets	34 240 819	1 574 290	5 256 430	1 749 152	42 820 691

30.06.2017 in CHF	EMEA	APAC	LATAM	North America	Total
Sales	28 001 643	9 533 904	3 547 578	8 522 931	49 606 056

31.12.2017 in CHF					Total
Non-current assets	32 488 705	1 444 500	5 445 836	1 733 654	41 112 695

CHF	30.06.2018	30.06.2017
Upper Extremities	43 472 720	36 587 045
Lower Extremities	8 321 972	5 833 698
CMF and Others	9 240 523	7 185 313
Total	61 035 215	49 606 056

9. Events after the reporting period

There have been no events occurring after the reporting period which would have a material effect on the Medartis Group financials as at 30 June 2018.



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To the Board of Directors of
Medartis Holding AG, Basel

Basle, 16 August 2018

Report on the review of interim condensed consolidated financial statements



Introduction

We have reviewed the interim condensed consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes, pages 5 to 12) of Medartis Holding AG for the period from 1 January 2018 to 30 June 2018. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.



Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

Ernst & Young Ltd

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Financial Calendar

8 April 2019 2018 full-year results
10 May 2019 Annual General Meeting

Contact

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Forward-looking statements

This Half-Year Report contains specific forward-looking statements, beliefs or opinions, including statements with respect to the product pipelines, potential benefits of product candidates and objectives, estimated market sizes and opportunities as well as the milestone potential under existing collaboration agreements, which are based on current beliefs, expectations and projections about future events. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may result in a substantial divergence between the actual results, financial situation, development or performance of Medartis Holding AG and its subsidiaries (the "Group") and those explicitly or implicitly presumed in these statements. The forward-looking statements are based on the information available to the Group on the date of this 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.