

Medartis Holding AG
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PRESS RELEASE

Medartis announces half-year 2019 results

Basel, Switzerland, 20 August 2019 – **Medartis Holding AG (SIX: MED)**, a leading manufacturer and provider of medical devices for surgical fixation of bone fractures, reported **8% sales growth in local currencies in the first half of 2019** – a solid result compared to the market and the very strong prior-year period, albeit lower than expected. In a challenging environment, most of Medartis' core markets and products with higher market penetration continued on their long-standing growth path, while certain distributor markets and newer product segments missed their targets. The EBITDA margin was 13% and EBITDA amounted to CHF 8.7 million. For the full-year 2019, Medartis expects to achieve sales growth of 8-10% in local currencies and an EBITDA margin on par with the first half of the year.

Medartis will today hold a telephone conference (in English) for the media, analysts and investors at 10:00 CEST.

| CHFm | H1 2018 | H1 2018 ⁽¹⁾ (excl. IPO) | H1 2019 | Change ⁽¹⁾ (excl. IPO) |
|------------------------------|---------|---------------------------------------|---------|--------------------------------------|
| Sales | 61.0 | 61.0 | 64.5 | 6% |
| Gross profit | 50.1 | 50.3 | 54.0 | 7% |
| Opex | 48.3 | 45.2 | 51.7 | 14% |
| Operating profit (EBIT) | 1.8 | 5.0 | 2.4 | -52% |
| EBIT margin | 3% | 8% | 4% | -4pp |
| EBITDA ⁽²⁾ | 5.8 | 9.0 | 8.7 | -3% |
| EBITDA margin ⁽²⁾ | 10% | 15% | 13% | -2pp |
| Headcount | 510 | 510 | 588 | 15% |

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

⁽²⁾ Positive effect in H1 2019 of CHF 1.8 million on EBITDA and 3 percentage points on EBITDA margin due to application of IFRS 16

Medartis achieved further growth in the first half of 2019, albeit below expectations. The subsidiaries in the key European, Australian and US markets developed at a solid level. The subsidiary in Brazil did not reach its ambitious targets despite further dynamic growth in a persistently difficult market, and certain distributors in Europe held back with investments in new sets due to market uncertainties in view of the entering into force of the new EU Medical Device Regulation. In terms of products, Hand and Wrist, which are the strongest sales lines, continued their previous growth path, while newer products and the Lower Extremities segment experienced less growth than expected. In order to take greater advantage of the potential in this area, the focus is on further strengthening sales activities and completing the product portfolios.

Overall, Medartis reported sales of CHF 64.5 million in the first half of 2019. This corresponds to growth of 8% in local currencies compared with the very strong growth rate of 21% in the first half of

2018, which was positively impacted by the acquisition of the Brazilian distributor as well as early set orders placed by distributors. On a CHF basis, sales rose 6% in the first half of 2019 (H1 2018: 23%), which in particular reflects the exchange rate developments against the euro and the Australian dollar.

In line with the company's growth strategy, operating expenses rose by 14% in the first half of 2019. Medartis continued to invest in strengthening its international presence, sales activities and product innovations in a targeted manner. At the same time, it suspended certain planned expenditures due to the less dynamic sales trend. Headcount increased from 561 at the end of 2018 to 588 at mid-year 2019.

Profitability at the EBITDA level amounted to CHF 8.7 million compared with an EBITDA adjusted for IPO costs of CHF 9.0 million in the first half of 2018, whereby the result for the first half of 2019 included a positive impact of CHF 1.8 million resulting from the first-time application of IFRS 16. The EBITDA margin was 13% compared with the adjusted EBITDA margin in the prior-year period of 15%. EBIT was CHF 2.4 million versus an adjusted EBIT of CHF 5.0 million one year ago, and net profit was CHF 0.7 million compared with an adjusted net profit of CHF 4.0 million in the first half of 2018. Cash flow from operating activities was CHF 0.8 million compared with CHF 2.6 million in the first half of 2018.

Willi Miesch, CEO of Medartis: "Although our key markets and established product lines continued to deliver solid sales, I am not satisfied with our half-year results as the pace of growth decelerated, and we must develop the growth potential in newer markets and products more consistently. I am convinced that our new CEO Christoph Brönnimann, to whom I will hand over my operational responsibilities after over 20 years, will continue to drive these tasks forward and will further develop our organization accordingly. I firmly believe in the strength and the potential of Medartis, and will continue to contribute to the sustainable success of our company on the Board of Directors' new Strategy and Innovation Committee."

Development by region

| | EMEA | APAC | LATAM | North America | Total |
|---------------------|------|------|-------|---------------|-------------|
| Sales, CHFm | | | | | |
| H1 2019 | 34.7 | 11.5 | 7.6 | 10.7 | 64.5 |
| H1 2018 | 34.0 | 11.2 | 6.5 | 9.3 | 61.0 |
| Growth, % | | | | | |
| in CHF | 2% | 3% | 16% | 14% | 6% |
| in local currencies | 5% | 8% | 21% | 11% | 8% |

Medartis' biggest region, EMEA, recorded sales of CHF 34.7 million in the first half of 2019, which corresponds to growth of 5% in local currencies compared with an extraordinarily strong first half of the year in 2018. While Medartis' own subsidiaries, such as in Germany, are on target for the year, important distributor markets remained significantly below expectations. The introduction of the new European Medical Device Regulation (MDR) has led to a general uncertainty in the market due to which some distributors held back on investing in new sets. This was pronounced in Italy, where demand for sterile disposable packaging rose significantly due to regulatory requirements. Medartis has been offering sterile packaging solutions for implants since last year and is accordingly positioned for future demand in this area; adjustments to logistical processes, however, increase the outlays for all market participants during the transition period. In addition, Medartis plans to build a packaging facility at the company's Basel location.

In the North American market, sales increased by 11% in local currency to CHF 10.7 million. Growth was therefore above the market, but not yet in line with the envisaged growth momentum. The measures that have been introduced to strengthen management capacities and the sales force are taking effect and will be further intensified.

Sales in APAC increased 8% in local currencies to CHF 11.5 million. The subsidiary in Australia, Medartis' strongest sales market in the region, recorded solid growth but suffered as a result of a nation-wide reduction to all reimbursements in the health care system of 7%. In Japan, the distributor business in the Upper Extremities segment was below expectations, as the seasonal growth slowdown toward the end of the first half of the year was more pronounced than in the previous year. The new subsidiary in Japan, which began operations at the end of 2018, reported its first sales in the foot segment.

In LATAM, Medartis reported sales of CHF 7.6 million in a persistently challenging market environment, which corresponds to growth of 21% in local currencies. Recording 45% growth in local currencies compared to the prior-year period, the subsidiary in Brazil saw significantly improved momentum, however, like the subsidiary in Mexico, remained below expectations.

Development of business segments

| | Upper Extremities | Lower Extremities | CMF and Others | Total |
|---------------------|-------------------|-------------------|----------------|-------------|
| Sales, CHFm | | | | |
| H1 2019 | 45.9 | 9.0 | 9.6 | 64.5 |
| H1 2018 | 43.5 | 8.3 | 9.2 | 61.0 |
| Growth, % | | | | |
| in CHF | 5% | 9% | 4% | 6% |
| in local currencies | 8% | 12% | 7% | 8% |

For Upper Extremities, Medartis' largest business segment, sales increased 8% in local currencies in the first half of 2019 to CHF 45.9 million. Medartis has an established position for hand and wrist solutions in many key markets, which was further expanded. For the newer elbow and shoulder solutions, more time is required in order to build a similarly well-established market position. The training-intensive introduction of the new concept for the treatment of shoulder fractures launched in the market at the end of 2018 was an important step in completing the portfolio and is showing initial positive, although still modest, growth momentum.

Lower Extremities, Medartis' youngest business segment, recorded growth in local currencies of 12% and achieved sales of CHF 9.0 million. The subdued growth compared to the prior-year period reflects the fact that in the first half of 2018 – as during the phase after entering this segment in 2016 – a series of new sets were introduced in the market and distributors therefore made larger early stage investments. With a view to leveraging market potential in the future, Medartis is placing a stronger focus on gradually rounding out its product range in this segment in the coming years and adding to the existing fore- and midfoot solutions with additional solutions for foot and ankle. Sales activities, which are currently more focused on the Upper Extremities segment, are also to be specifically expanded for Lower Extremities.

The CMF and Others segment, which comprises solutions for the craniomaxillofacial region as well as instruments and containers, recorded sales growth in local currencies of 7% to CHF 9.6 million in the first half of 2019. As a result of the planned introduction of a new generation of the CMF product

line in 2020, distributors are currently holding back on investing in additional sets in the current product line.

2019 outlook

In light of the half-year results that were below expectations, Medartis considers it difficult to achieve the originally envisaged double-digit sales growth for 2019 and from today's perspective, expects to see growth of 8-10% in local currencies. At the EBITDA level, Medartis aims to achieve a margin on par with the first half for the full-year 2019.

With its products and networks of physicians, Medartis continues to see itself as very well positioned and will further invest to build out its market position and complete its offering in a targeted manner. Specifically, Medartis plans to increase its focus on dedicated sales activities, as well as further expanding its product range with innovative solutions, on the one hand by completing the plates and screws portfolio and on the other hand through complementary third-party products. The new Board of Directors' Strategy and Innovation Committee, led by Willi Miesch, will also be paying particular attention to the product offering. As announced on 27 May 2019, Christoph Brönnimann will assume his role as Chief Executive Officer effective 1 September 2019.

In terms of the regions, further strengthening Medartis' market position in the US remains an important area of focus. In the fourth quarter of 2019, Medartis plans to introduce additional, innovative wrist plates to the market, which have been developed specifically for the US. In Japan, the new subsidiary is further building its sales forces in the Lower Extremities segment, which it began at the end of 2018. In China, Medartis continues to expect that it will receive product authorization in the second half of 2019, and in a next step, begin to collaborate with distributors. The expansion of Medartis' presence in Brazil with own sales forces continues, although developments in the regional market situation will be taken into consideration on an ongoing basis when determining the pace and scope thereof.

Implementation of the new Medical Device Regulation, which will come into force in the European Union in May 2020, continues to proceed according to plan. Given the current political debate surrounding a potential future framework agreement between Switzerland and the EU, the fact that Medartis already has an authorized and certified representative in the EU with its subsidiary in Umkirch, Germany, is beneficial, as the subsidiary can act as an authorized EU partner if required. Medartis is therefore also in a position to potentially supply the EU area as a third-country manufacturer.

Documents 2019 half-year results

The following documents pertaining to the 2019 half-year results are available online:

Press release:

https://www.medartis.com/fileadmin/user_upload/Investor_Relations/Financial_Reports_EN/2019/Medartis_2019_half-year_press_release.pdf

Presentation:

https://www.medartis.com/fileadmin/user_upload/Investor_Relations/Financial_Reports_EN/2019/Medartis_2019_half-year_presentation.pdf

Half-year report:

https://www.medartis.com/fileadmin/user_upload/Investor_Relations/Financial_Reports_EN/2019/Medartis_2019_half-year_report.pdf

Telephone conference for the media, analysts and investors (in English)

Date: Tuesday 20 August 2019

Time: 10:00 CEST

Speakers: Willi Miesch, CEO; Dominique Leutwyler, CFO

Join with PC, Mac, Linux, iOS or Android: <https://medartis.zoom.us/j/459503054>

Dial-in numbers by telephone:

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UK +44 203 481 5237

US +1 646 558 8656

Other international numbers see <https://zoom.us/u/acjCfpd2Sy>

Meeting ID: 459 503 054

Financial calendar

| | |
|----------------|---------------------------------------|
| 03 March 2020 | Publication of 2019 full-year results |
| 17 April 2020 | Annual General Meeting |
| 18 August 2020 | Publication of 2020 half-year results |

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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 around 600 individuals across its 12 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theater personnel with the most innovative titanium implants and instruments as well as best in class service. For more information, please visit www.medartis.com.

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