

medartis

PRECISION IN FIXATION



Restoring quality of life.

2021 | Annual Report

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 700 people at its 14 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](http://www.medartis.com)

# Table of contents

Key financial figures	<b>4</b>
Key performance indicators	<b>5</b>
A portrait of Medartis	<b>6</b>
Shareholder letter	<b>10</b>
Business review	<b>15</b>
Vision, mission & values	<b>18</b>
Sustainability at Medartis	<b>26</b>
Independent Expert Interviews	<b>36</b>
Corporate Governance Report	<b>42</b>
Remuneration Report	<b>68</b>
Financial Report	<b>85</b>
Informations for investors	<b>144</b>

# Key financial figures

Sales in CHF million<sup>1</sup>

EBITDA in CHF million

# 159.9      27.4

+25.3% growth in CHF

+24.8% growth at CER<sup>2</sup>

17.2% EBITDA margin

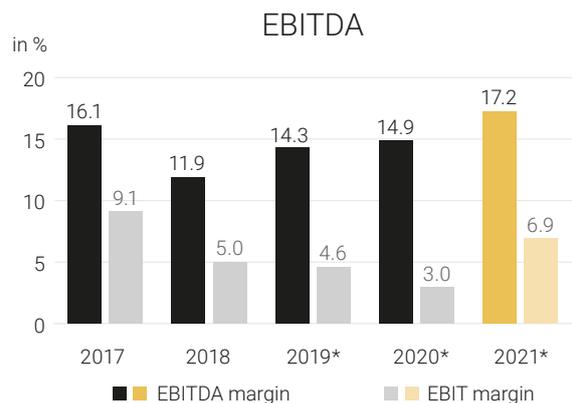
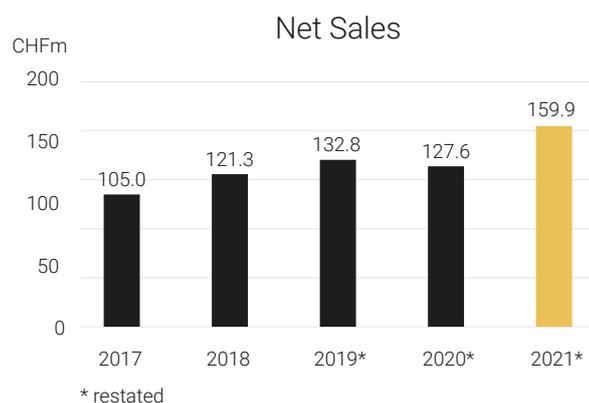
+1.7%-points at CER

in CHFm	FY 2021	FY 2020 restated	FY 2020 as reported	Change in CHF vs. 2020	Change in CER vs. 2020
<b>Net Sales</b>	159.9	127.6	124.7	25.3%	24.8%
<b>Gross Profit</b>	134.1	106.5	103.5	25.9%	25.4%
Margin (in %)	83.9%	83.4%	83.0%	+0.4PP	+0.4PP
<b>EBITDA</b>	27.4	19.0	19.7	44.3%	38.5%
Margin (in %)	17.2%	14.9%	15.8%	+2.3PP	+1.7PP
<b>Operating Profit (EBIT)</b>	11.1	3.1	3.8	253.1%	180.1%
Margin (in %)	6.9%	2.5%	3.0%	+4.4PP	+3.8PP
<b>Net profit</b>	6.9	-0.9	-0.9	n/a	
Margin (in %)	4.3%	-0.7%	-0.8%	5.0PP	
<b>Basic Earning per share (EPS)</b>	0.58	-0.08	-0.08		
Headcount (at year-end)	684	636	636	+7.5%	

1) As part of a review of the finance processes, Medartis challenged the presentation of commissions paid to certain third party sales agents. As a result the company has reclassified distributor sales commissions, which were historically deducted from net sales, into operating expenses. Furthermore, some early payment discounts, which had previously been reported as financial expenses, are now deducted from net sales. For 2020 the reclassified commission amounted to CHF 3.6m, for 2021 it amounted to CHF 4.7m. Early payment discount reclassifications were CHF 0.6m in 2020 and CHF 0.7m in 2021. For detailed information, please see Note 2.3 of the 2021 Annual report.

2) CER (constant exchange rates) excludes currency effects between two reporting periods. Unless otherwise stated, the company generally shows growth rates in CER. To facilitate the underlying comparison between two periods, percentage changes in these tables are always made using the restated values.

PP = Percentage points.



# Key performance indicators



Organic growth

**24.8%**

>20% growth in all geographies; 29% growth in the US and 22% in EMEA



Employees

**684**

48 new jobs created in 2021



EBITDA margin

**+2.3PP**

Positive change driven by strong growth and cost discipline; Gross margin almost reaches the 84% mark

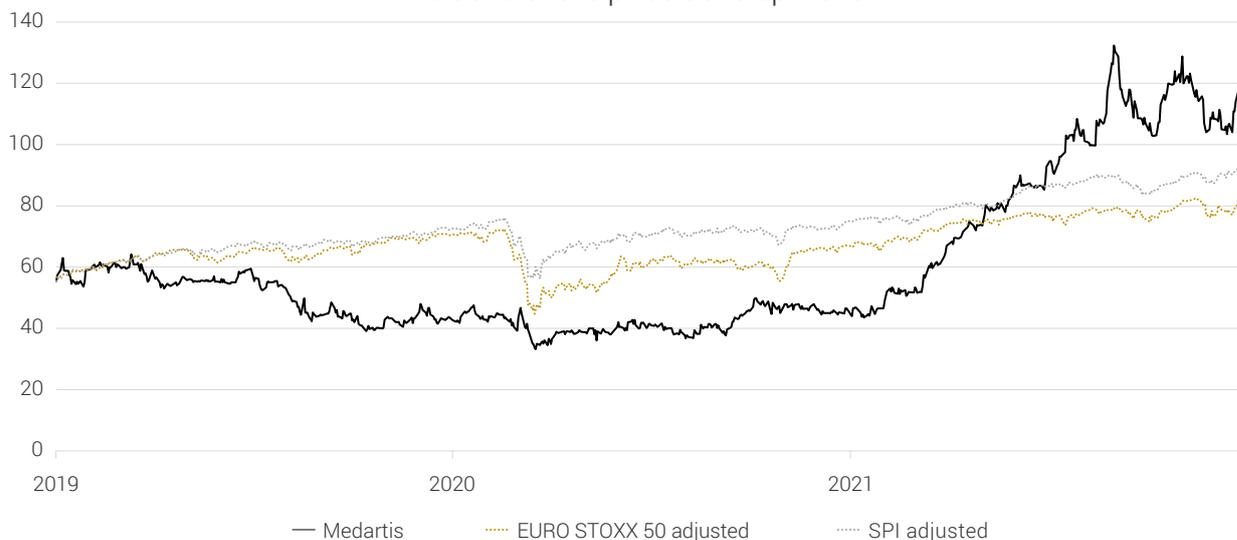


Net profit margin

**+5.0PP**

EPS reaches CHF 0.58 after a small loss in previous 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 orthopedic segments. Its addressable market is worth approx. CHF 7 billion out of a total worldwide orthopedic 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 & lower extremities as well as the head segment. Larger clinics with a sufficiently high number of surgeries receive 'consignment sets' with implants and instruments. Surgical container and instruments remain the property of Medartis. The majority of Medartis' revenues are generated through the use of surgical implants. Customers who perform a procedure only sporadically order 'loan sets' on a per 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.

### All under one roof

Medartis' DNA is Swiss and the company stands for price-competitive Swiss quality. Its headquarters, research and development, and manufacturing facilities are all located under one roof in Basel. This has the advantage that the information and decision-making paths are short. All key products are manufactured in-house in Basel, where lean manufacturing and the use of robotics enable highly automated manufacturing processes 24/7.

### Helping surgeons to improve surgical outcomes

Surgeons are responsible for the patient's outcome following bone fixation treatment. Medartis therefore assists 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. 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 14 fully owned subsidiaries: Germany, Austria, France, England, Spain, Poland, the US, Australia, New Zealand, Mexico, Brazil, Japan and China.

### Repeating the success elsewhere

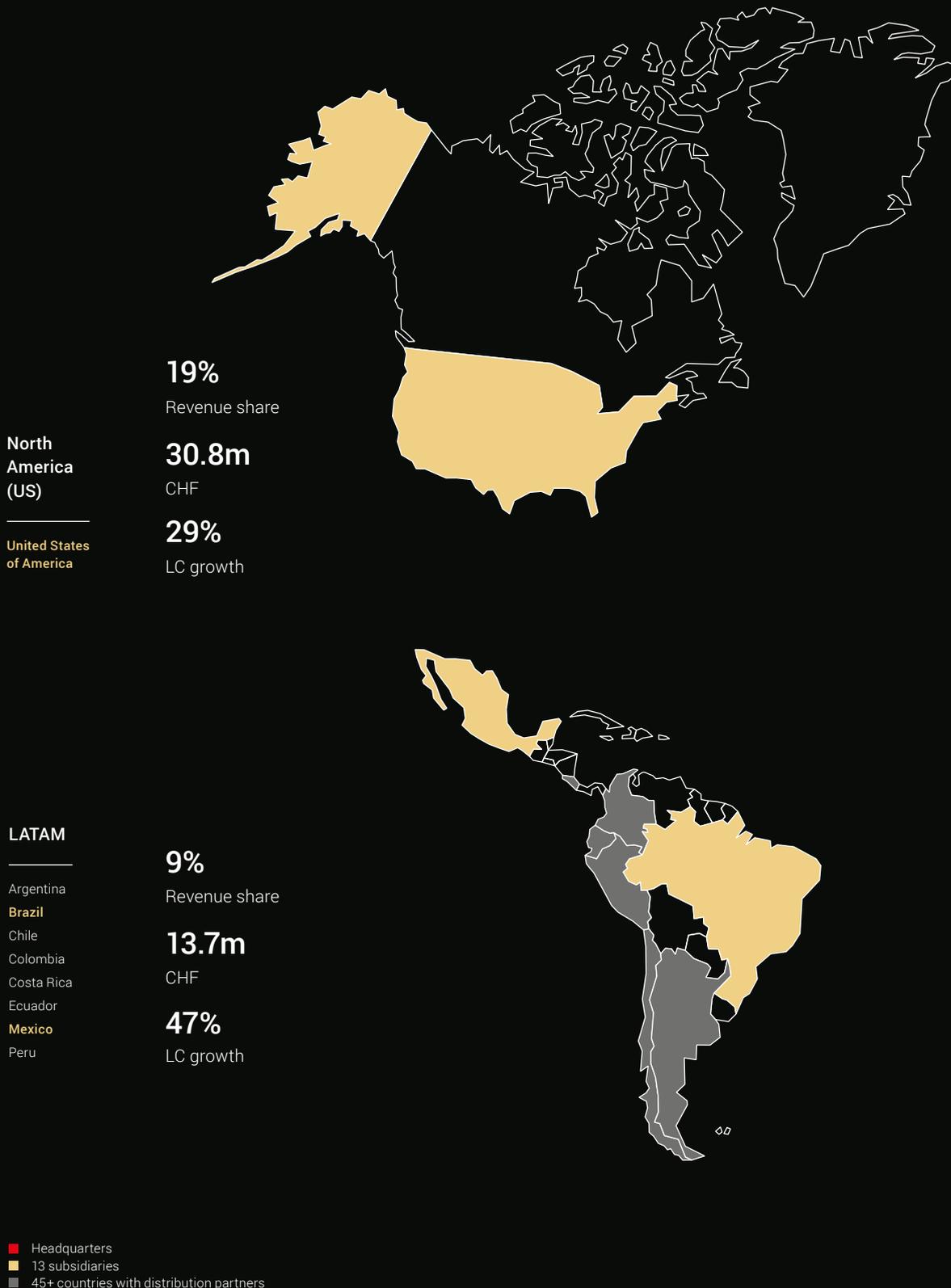
Medartis has a top-3 position in hand and wrist indications in Switzerland, Germany, Austria, France and Australia. In its traditional market, the highly competitive German market, for example, Medartis' market share in hand, wrist and head (CMF) is between 25-35%, while in the shoulder and ankle segment it is only in the single digits. In the coming years, the company wants to grow both geographically and increasing its market share in new indications. To this end, the company has expanded its portfolio to include a new CMF, a clavicle (shoulder), a new mid- & hindfoot correction, a new ankle trauma, and a new distal tibia and fibula fracture system.

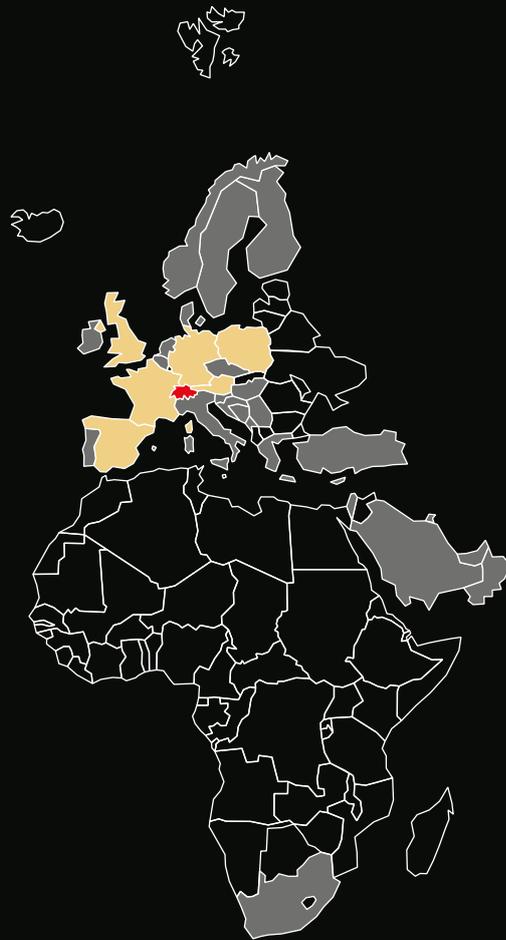


CMX MODUS 2 Mandible

# Worldwide presence

Globally diversified business





**EMEA**

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

**52%**  
Revenue share

**83.4m**  
CHF

**22%**  
LC growth



**APAC**

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

**20%**  
Revenue share

**32.0m**  
CHF

**22%**  
LC growth

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



**Marco Gadola**  
Chairman of the Board of Directors



**Dr. Christoph Brönnimann**  
Chief Executive Officer

## Dear shareholders, dear owners,

In this letter to you, we would like to reflect on the past year and share with you and other stakeholders how we see the future of our company. 2021 has been a very successful year for Medartis. The healthcare sector once again proved more resilient than others in extremely difficult circumstances. We made progress in implementing our growth strategy and strengthened our business despite the scope and unpredictability of the pandemic, the additional burden from the new Medical Device Regulation (MDR) and the dissolution of the bilateral framework agreement between Switzerland and the EU. We accelerated our top line (Total net sales +25% CER) across all our regions and product lines, we grew faster than the market and our global competitors, improved underlying profitability (EBITDA +2.3%-points) and were able to significantly increase our patient and customer pool around the globe. Our progress has not gone unnoticed, which is reflected in the increase of our share price by 180% over the full-year period. We met the expectations of the capital market and were able to attract new investors. We are very pleased with this development and would like to thank all our shareowners who have remained loyal to us and accompanied us on this journey. We are aware that the share price reflects future expectations and are taking the capital market's appreciation in 2021 as an incentive to continuously improve and thus create value. For better or worse, the virus and its limitations will be with us for some time. We have to continue to adapt quickly, learn fast and adjust dynamically to new conditions. The regulatory environment will tighten further and we will focus even more on sustainability going forward.

### **A firm grip on the supply chain**

The 2021 performance was also driven by tight cost and far-sighted supply chain management. We were able to ensure the availability of our products throughout the year and no notable interruptions of our supply chain occurred. Our teams worked hard to get the necessary surgical supplies delivered directly to hospitals. Our safety stock strategy for critical raw materials and working with regional, long-term suppliers and partners paid off. Throughout the entire period, the safety of our employees has been a top priority for us, and we have had no work-related fatalities or abnormal absences due to illness. This also reflects the vigilance of our dedicated health taskforce and team leaders. You can find more details and statistics in this report. In times of lockdowns and remote working, a growing organisation might lose sight of the company's mission. Even as a larger corporation, we always want to keep up our partnership spirit. Online courses, webcasts, market research and customer surveys are important supplements, but they can never fully replace direct contact. In 2021, we again invested in physical training & education formats, and, when the situation allowed, held "Re-connect" events, attended trade fairs, and our field representatives were back in the operating room more regularly.

### **Restoring quality of life**

In order to be successful in the long term, our decision-making processes need to take into account a broad range of stakeholders. This means not only customers, healthcare professionals and our employees, but also the environment and society at large. This year we will look more systematically at our social and ecological footprint and pinpoint potential for improvement. We want to make sustainability omnipresent across our core processes and reflect it as an integral part of our culture. Corporate Sustainability and Responsibility (CSR) goals should always follow a business logic. We will continue to be product and solutions obsessed, always with the aim in mind of simplifying surgeons' work to the benefit of their patients.

### **2022: Three strategic priorities**

2022 will be a special year for Medartis as we will be celebrating our 25th anniversary in November. Our strategic direction remains the same. With the acquisition of Nextremity Solutions Inc. (NSI), which we announced in parallel to our 2021 full-year results, we have taken another important step towards achieving our ambitious mid-term goals. Our strategy execution centres on three key priorities for 2022.

We want to...

- (1) take our US business to the next level,
- (2) accelerate and broaden our innovation process,
- (3) and advance our corporate culture.

Our largest regional market and stronghold remains EMEA (Europe, Middle East & Africa), but the US is by far the largest market for extremities, accounting for about 60% of the worldwide market. As we are historically underrepresented in the US, it offers us the greatest growth potential. This requires access to core technologies as well as sustained investments in people, systems and infrastructure. We will continue to expand our direct sales force and add independent agents, fill portfolio gaps and invest in supply chain and training and education capabilities. By merging our US organisation with that of NSI, one of the most innovative firms in our industry, we will gain access to NSI's comprehensive product portfolio, product knowledge and manufacturing technology.

We will be able to accelerate and scale our current US expansion plan and view this partnership as a true catalyst for expanding our business in the US, but potentially also in the rest of the world. The combination of the two organisations will expand our key opinion leader network, enable us to work with a larger pool of design surgeons and sharpen our market understanding. The main challenge for us will be to scale up the organisation swiftly and prioritise our investments. This requires a strict plan, disciplined execution and some patience.

Our second priority is innovation. The implementation of the requirements of the new MDR (Medical Device Regulation) has absorbed significant development capacities. Our technology teams will now fully focus on the development of new products and innovative solutions. The pace of change in our industry has accelerated, including the creation of new hospital networks and the development of regional treatment modalities, which means that our innovations have to be tailored to corresponding customer and local market needs.

We view our broad network of design partners including the IBRA (see page 22-23) as a competitive advantage, which we will further exploit to create meaningful innovation. A special focus this year will be on the expansion of the KeriMedical™ portfolio, which we currently sell in Germany, Austria, the UK and Australia, and on completing our lower extremities offering in close cooperation with NSI.

Our third strategic key initiative is our focus on corporate culture. Even the strongest strategic plan is only as good as the people entrusted to execute it. We want to further develop an entrepreneurial mindset throughout the organisation where everyone is empowered and inspired to contribute and find opportunities and solutions for our clients. Close interaction with surgeons, a comprehensive understanding of client needs, taking responsibility and experimenting patiently are characteristics of the high-performance culture we will foster. For the first time, we conducted an assessment of our current culture and its strengths and weaknesses by surveying team members around the world. Over 100 measures have been defined to address weaknesses and build on strengths with the objective of implementing them throughout the course of 2022. We are convinced that this will be a key to Medartis' medium- and long-term success. You can read more about our cultural journey, purpose, mission and vision on page 18-21 of this report, and about our sustainability approach on page 26.

### Looking to 2022 and beyond

In 2022, we expect our markets to grow solidly in the mid-single digit range. We are confident that we can continue to gain market share and expect organic sales growth (CER) of around 20%. Although the planned investments in the US organisation will temporarily weigh on our EBITDA/EBIT margin, we are convinced that these investments, together with the combined strength of NSI, will lead to accelerated growth in our key focus market. Driven by the strong growth, our margin profile will also improve, which we expect from 2025 onwards.

To conclude this letter, we would like to thank all our employees for their hard work, their great commitment in difficult times and their willingness to think big. And last but not least, dear owners, thank you for your continuous support. As in 2021, the annual general assembly will take place remotely due to safety precautions in connection with large public events. Voting must again be done in writing or digitally ahead of the meeting on 6 April 2022. We will provide you with the agenda and other necessary information in due course. However, if you have any comments or remarks, please do not hesitate to send them to us via [investor.relations@medartis.com](mailto:investor.relations@medartis.com) and we will write back to you in person.

As both shareholders and chairman/CEO, we are excited by the Medartis business model, and we see great potential in further expanding our business. Thanks to the acquisition of NSI, the possibilities are now even greater than back in 2021. We hope that we will not only celebrate the 25th anniversary of Medartis in 2022, but that in 2023 we will be able to look back on another successful business year. Please rest assured that we will work hard to continue to earn your trust and make your journey with us a prosperous one.

Basel, March 2022



Marco Gadola  
Chairman of the Board of Directors



Dr. Christoph Brönnimann  
Chief Executive Officer

**APTUS** Minimal Invasive  
Distal Radius Plate





**APTUS** Ankle Trauma System

# Business review

Medartis registered strong sales growth across all its regions and segments in 2021. At constant exchange rates, net sales climbed 24.8% year-on-year (25.3% in CHF). The US region registered strong growth of 28.9% while Europe, the Middle East and Africa (EMEA) surged 21.5% and contributed almost half of total growth. The growth momentum was maintained even though the comparison base in H2 2020 was 15% higher compared to H1 2020. While there were still pandemic constraints in many countries, the general business climate improved versus 2020. As vaccination rates increased in most countries, elective treatments also grew; the surgical case volume in hospitals was estimated to be over 90% at the end of the year.

## REGIONAL PERFORMANCE

in CHFm	FY 2021	FY 2020 restated <sup>2</sup>	FY 2020 reported	% Change in CHF vs. PY <sup>1</sup>	Change in CER vs. PY <sup>1</sup>
EMEA	83.4	68.0	68.2	22.6%	21.5%
US	30.8	24.5	21.3	25.6%	28.9%
APAC	32.0	25.4	25.4	26.0%	21.6%
LATAM	13.7	9.7	9.7	41.1%	47.0%
<b>Total Group</b>	<b>159.9</b>	<b>127.6</b>	<b>124.7</b>	<b>25.3%</b>	<b>24.8%</b>

1) To facilitate the underlying comparison between two periods, percentage changes in these tables are always made using the restated values.

2) As part of a review of the finance processes, Medartis challenged the presentation of commissions paid to certain third party sales agents. As a result, the company has reclassified distributor sales commissions, which were historically deducted from net sales, into operating expenses. Furthermore, some early payment discounts, which had previously been reported as financial expenses, are now deducted from net sales. For detailed information, please see Note 2.3 of the Financial Report.

In **Europe, the Middle East and Africa (EMEA)**, Medartis reported 21.5% (CER) growth versus 2020. Germany and Austria bolstered their market position by turning in another strong performance across all business segments. Customer conversions, cross-selling opportunities and strong growth in hand and lower extremities were the main reason for market share gains. The rollout of the differentiated KeriMedical hand products in Germany and Austria was successful. The customer reactions to the Touch® prosthesis have been very positive, and customer acquisition has exceeded our expectations. France and the UK achieved very strong growth after being hit hard at the beginning of the pandemic. The new Medartis subsidiary in Spain has reached full operations and is quickly growing and expanding its new customer base. The regional distributor markets in EMEA grew solidly, albeit not as fast as the direct sales markets. The overall contribution margin across the region improved during 2021 in spite of further investments in the sales force, increasing market activities (e.g. training and education) and additional costs in connection with the new Medical Device Regulation (MDR) requirements.

The Medartis **US** business posted strong growth of 28.9% (CER) compared to the same period a year ago. The headline growth in H2 was lower than in the preceding semester, but mainly reflects the stronger comparative baseline in the prior year caused by the timing and the development of the pandemic. The local management began to expand the sales force, mainly by hiring independent distributors. In addition, the newly formed national IBRA Section successfully launched and provided scientific training and education to many US surgeons. In 2021, the Medartis sales team was able to gain new customers in the hand & wrist business, expand its business with existing customers and achieve strong growth in lower extremities driven by new product introductions.

In the **Asia Pacific region (APAC)**, Medartis reported 21.6% CER growth year-on-year. After impressive development, momentum eased somewhat in the second half of the year, mainly as a result of the pandemic in Australia and New Zealand, which slowed down hospital activities in the second half of the year. Following further Covid-19 outbreaks in Medartis' largest regional market, Australia, elective procedures were either delayed or stopped. The situation improved slightly towards year-end. In Japan, the company made further progress with its newly established lower extremity franchise. While the country was significantly affected by the COVID restrictions in the first half of the year, the situation improved in the second half. Combined with its upper extremity distributor business, Medartis Japan grew more than 35% and benefitted from its strong customer relationships and the launch of the new CMF distribution business. Sales in China developed well, but remained at a still relatively low level. All other distributor markets grew in line with overall market levels.

The **Latin America region (LATAM)** increased its momentum in H2 and posted strong full-year growth of 47.0% (CER). The main contributor was Brazil, which accelerated the pace in H2. This dynamic growth is even more impressive against the backdrop of relatively strong Covid measures in Brazil and Mexico, which were relaxed after the summer. Compared to 2019, growth amounted to 20%, which shows the first successes of the strengthened local management teams, especially in Brazil. As in other regions, distributor growth lagged slightly behind direct market growth.

## BUSINESS SEGMENT PERFORMANCE

One of Medartis' strengths is its dedicated focus on the extremity and cranio-maxillofacial (CMF) market segment. While the company has been historically stronger in upper extremities, it has recently taken various measures to improve the mix and balance its portfolio more effectively through specific growth initiatives in lower extremities and CMF. In lower extremities, the foot & ankle product group benefitted from additional product launches in 2021. After the release of the latest Modus generation in 2020, the CMF business was fuelled by the continuing rollout of Modus II. This expands the portfolio breadth and allows it to be integrated more effectively into digital case planning, i.e. CMX.

Especially in times when hospitals have to limit and postpone surgery, the business dynamics in the different segments may vary. While 60-70% of treatments in upper extremities are trauma cases, the larger part in CMF and lower extremities are elective procedures. Elective procedures were affected more by lockdowns, but benefitted from deferred treatments and pent-up demand in 2020.

### Sales development by business segment

in CHF million, rounded	FY 2021	FY 2020 restated	FY 2020 reported	Change in CHF vs. PY <sup>1</sup>	Change in CER vs. PY <sup>1</sup>
Upper extremities	112.0	91.6	89.2	22.4%	22.0%
Lower extremities	24.6	19.1	18.8	28.8%	28.3%
CMF & other products	23.2	17.0	16.6	36.8%	35.6%
<b>Total</b>	<b>159.9</b>	<b>127.6</b>	<b>124.7</b>	<b>25.3%</b>	<b>24.8%</b>

1) To facilitate the underlying comparison between two periods, percentage changes in these tables are always made using the restated values.

The large **upper extremities segment**, which accounts for 70% of total sales, grew 22.0% (CER) compared to 2020. Elbow and shoulder implants were the strongest growth drivers together with the large hand & wrist segment. Countries with especially strong growth in this area were the US and Brazil, as well as the UK, Germany and Austria. The latter countries also benefitted from additional contributions from the newly launched KeriMedical products.

Foot & ankle, as well as cannulated CCS screws, were the main drivers for the strong growth in **lower extremities** (+28.3% CER). Countries with substantial growth (>50%) in this product group were the US, France, Japan and Brazil. As mentioned earlier, some of this growth reflects a certain level of pent-up demand caused by the pandemic. At the same time, several countries successfully conducted sales activities to acquire new customers in this segment.

Within **CMF** and other products (+35.6% CER), Midface, Mandible and Orthognathic advanced rapidly, boosted by strong instrument sales for the new Modus 2 system. In Japan and Brazil, the demand for the new Modus system was especially noteworthy. The digital service CMX is specialized in case planning and surgical aids. Based on CT data, patient-specific cutting and drilling guides as well as bone models are created using computer-aided design and additive manufacturing. Originally developed for CMF, more and more hand and lower extremity surgeons are using the service to plan their surgery to achieve more predictable outcomes. This trend also benefits Medartis. The interest in this area is increasing, although case volumes are still limited. This additional service also serves to attract new customers and underpins Medartis' reputation as a technology leader.

## FINANCIAL PERFORMANCE

Fuelled by this strong sales growth, profitability improved at all levels. In 2021 Medartis increased its **gross margin** by 0.4 percentage points to 83.9%. The increase was mainly due to a favourable country mix (above-average growth in countries with higher contribution margins). This, together with strict pricing discipline, helped to offset the effect of the negative product mix (more lower extremity sales and an increasing contribution of KeriMedical products). From a production perspective, a slight positive impact was achieved, mainly due to better capacity utilization and the absence of MDR implementation costs.

Based on its strong growth, Medartis improved its cost efficiency by more than 4 percentage points compared to last year. The reported OPEX-to-sales ratio reached 77.0% (74.1% excluding distributor commissions). At the start of the pandemic in 2020, the company acted cautiously and reduced spending to a minimum. During 2021, this spending (including distributor commissions) increased again. The respective investments in selling, marketing, training and education increased by CHF 11.6 million year-on-year. In the USA in particular, substantial investments were made in the further expansion of sales and support functions.

Medartis stepped up its investment in **research & development (R&D)** to prepare for future product launches and new pipeline projects. R&D spending increased by 24% to CHF 20.0 million. Due to the easing of the coronavirus measures, the education activities of the education and academic partner IBRA also increased year-on-year.

**General and administration expenses** increased by CHF 4 million to CHF 26 million in 2021 but decreased slightly relative to sales. These expenses also include various one-time expenses related to the implementation of MDR, the set-up of a European logistic hub, as well as supply chain and IT investments in its new subsidiaries (e.g. Japan and Spain). In addition, G&A includes an increasing amount for business development. Various projects in this area were initiated during 2021 and can potentially generate M&A transactions and strategic partnerships in the medium term.

As a result of a higher top line, gross margin improvements and better operating leverage, EBITDA increased to CHF 27.4 million, with the corresponding margin reaching 17.2% (+2.3 percentage points year-on-year). Depreciation and amortization charges of CHF 16.4 million (2020: CHF 15.9 million) resulted from targeted surgical set investments in growth markets and partnerships with new clinics. The company has initiated various projects to improve its set efficiency. Investment in new sets is a crucial factor in the context of new customer conversions (e.g. in the US, Japan and Spain) as well as for the rollout of new products. **Earnings before interest and taxes (EBIT)** soared by CHF 8.0 million to CHF 11.1 million and the corresponding EBIT margin by 4.4 percentage (CER 3.8 percentage points) to 6.9% compared to the previous year.

The net financial result amounted to CHF -2.8 million (2020: CHF -6.4 million). This includes foreign exchange losses of CHF 1.4 million, mainly resulting from high intercompany exposures and a weakening EURO. Various measures were taken during 2021 to reduce the currency risk. Income taxes of CHF 1.5 million were reported in 2021 resulting in an effective tax rate of 18.0%. As a result of the above factors, **net profit** reached CHF 6.9m in 2021 compared to a loss of CHF 0.9 million in 2020. Basic EPS increased to CHF 0.58 per share (2020: CHF -0.08 per share).

In 2021, Medartis generated **cash flow** from operations of CHF 21.0 million compared to CHF 12.6 million in the previous year. This includes an increase in working capital of CHF 5.5 million. Relative to sales, net working capital decreased compared to last year, despite an increasing number of direct markets. After deduction of capital expenditure for property, plant and equipment (PPE) of CHF 8.0 million, mainly for additional set investments, the total cash position at year-end amounted to CHF 82.6 million (28% of the total balance sheet), which underlines the strong financial position of the company.

### Outlook 2022 (Barring any unforeseen circumstances)

Although the timing of a full recovery from the pandemic is still uncertain in some geographies, Medartis expects the business environment to continue to improve and most economies to return to more normal business conditions in the coming months. Based on these assumptions and excluding the NSI acquisition and currency effects, Medartis anticipates organic sales growth (CER) of around 20% in 2022 and an improvement of the underlying EBITDA margin of approximately 1 percentage point.

The new NSI pipeline products are projected to generate annual sales of around USD 150 million in year 5 after the initial launch. For 2022, the planned investments in connection with the NSI acquisition will temporarily reduce the EBITDA margin by 5-6 percentage points. After 2022, profitability will improve and from 2025 onwards, the acquisition will have a positive effect on the company's profitability.

# About the Medartis vision, strategy and its corporate values

We believe that vision, mission, and values are key elements of our organisation and our strategic planning. It sets the direction, creates a long-term strategy for where we are heading and it aligns everyone around the Medartis goals. In 2021 we have revamped our vision, purpose and mission statement as outlined underneath.



Everyone counts and contributes to the company success: Healthy team spirit among the quality testing department

The right mindset and attitude form the basis for our ambition to introduce a high-performance culture at Medartis. Today's dynamic environment adds an extra level of urgency and complexity. We must react to sudden shifts in the marketplace, to changes in medical reimbursement and in the regulatory environment, to external shocks, and to the imperatives of new business models. That is not all! Digital technologies, new hybrid work models, and the changing nature of the workforce have created new opportunities and challenges for the classic 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 literature<sup>1</sup> transformations stand the best chance of success when they focus on actions to change mindsets and behavior. The right mindset is a prerequisite for the high-performance culture we are striving to build.

<sup>1</sup>) McKinsey Quarterly: "The psychology of change management"

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

In 2021, we formulated new engaging and **vision statement** that reflect the Medartis purpose of "Restoring quality of life": With our proven expertise we collaborate with health care professionals to develop innovative technologies for improved surgical outcomes. Together we are setting new standards in patient care.

This vision is supported by our mission and values which 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. Committed people are at the heart of our mission. We want to be an exciting company for our employees and partners, act sustainably and deliver value for our stakeholders.

Since our inception 25 years ago, we have been open to new ideas and work closely with design surgeons to advance the standard of care. Everything we do, every product we make, 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 OR staff, developing new ideas together, caring about the outcome, and challenging the status quo. We want to be the first place that surgeons or scientists come to do create new product solutions. For our shareholders, it means sustainable returns from an ethical business, that respects the rules and cares for its communities.



In May 2021, we have formally started our culture journey to define one strong Medartis culture and ensure that we live this culture every day. We want to create an organization where learning and people are key to achieving sustainable high performance. For us, high performance means: enabling everyone to do their best, focusing our efforts and resources optimally on aligned priorities, being agile to seize opportunities, constantly challenging what we do to improve and innovate, sharing openly, collaborating efficiently to avoid waste, and continually delivering what we promise.

Three focus areas have been defined for our journey:  
We want to foster a culture where

- (1) people respect and trust each other,
- (2) where superior results are achieved because the focus is clearly defined, risks are taken and action is agile
- (3) we speak up, challenge the status quo and take responsibility.



#### **A strong culture is a key to high performance**

To this end, we have begun the journey by introducing the concept of 'psychological safety' and the "player-learner" mentality among senior management. These mindsets will drive high performance and our future success. Player-learners inspire trust. They are energized and embrace change; they listen, find out, share, collaborate, take risks, find solutions, learn by doing, encourage and celebrate. This mindset should be lived by every employee of Medartis - of course, according to his function and competence. That is why we roll out the "player-learner" concept more broadly in 2022 and promote it with workshops and other initiatives. At the same time, we are aware of the importance of role modelling in this process. While this may sound like common sense, we want to make sure that it is not overlooked in the swirl of activities.

We also do not want to make the mistake that this measure is commonly associated with influential people only in the organization like the CEO and the executive board. We think this is not limited to people in formal leadership positions. That is why we enable opinion leaders from all hierarchical levels to participate in our large-scale change efforts. A process that will be deeper, faster, and more sustainable. The so-called "culture champions" at Medartis actively steer and accompany our culture journey. These 30 employees are scattered around the world and support global and local initiatives. The Culture Champions seek to encourage and foster cultural change across the organization at all levels. They act as a communication bridge across hierarchies to ensure information flow and open dialogue. The Champions are passionate about making Medartis a great place to work and most of their activities are on top of their normal jobs.

### Values built on historical virtues

We don't want to embark on our culture journey without also seriously addressing belief and behavior 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 them and adapted them to the current market and corporate situation. In the future, we will focus on the following seven values that apply to all our employees.



Focus group meeting in the Medartis' Japanese subsidiary

For the first time in our company's history, we conducted an assessment of our current culture and its strengths and weaknesses in 2021 by surveying team members around the world. This "pulse survey" provided useful insights into the engagement, satisfaction, and motivation of our teams around the world. 8 out of 10 employees participated and the results were meaningful. Feedback from 'Meet the EMB' meetings and in dedicated 'focus groups' over 100 measures have been defined to address the weaknesses and build on the strength to implement them throughout 2022.

#### Make it happen:

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

#### Speed and agility is our credo:

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

#### Excellence is in our DNA:

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

#### Eager to learn:

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

#### Everyone counts

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



'Meet the EMB'-session at the headquarters

# Innovations

For more than 20 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 2021 are highlighted in the table below sorted in ascending order according to their projected sales potential. You can see high-resolution images as illustrations at the beginning of each chapter.

	Product Name	Indication	Benefit	Portfolio relevance
	TOUCH® dual mobility thumb prosthesis	Upper Extremities (Hand)	Dual mobility trapeziometacarpal prosthesis for the treatment of rhizarthrosis (arthritis in the hand is significantly higher than in other joints) 144 possible combinations to fit the patient's anatomy Fast recovery time compared to the gold standard (trapezectomy) and attractive outcomes in terms of mobility and strength.	Unique solution to improve mobility in the treatment of arthritis
	Ankle Trauma System	Lower extremities	Comprehensive system offering 360 degree treatment around the ankle suitable for simple up to complex fractures Plate designs incorporate flaps to treat 'wagstaffe' and 'chaput' fractures	Key system to strengthen position in lower extremities
	Keri Fuse® (intramedullary arthrodesis device)	Upper Extremities (Hand)	Optimal modularity with a fit tailored to the patient's anatomy The implant consists of super-elastic nitinol and is sterile packed	New treatment alternative addressing the growing market of degenerative finger joint diseases
	APTUS Minimal Invasive Distal Radius Plate	Upper Extremities (Wrist)	Slim plate design allows for minimally invasive insertion and fixation Specifically designed aiming device helps to insert and position the plate provides guidance when inserting the proximal screws	Novelty, supporting our strong market position in the distal radius indication; extends our offering for minimally invasive treatment
	CMX Wrist	Upper Extremities (Wrist and Forearm)	CMX Wrist & Forearm offers custom-made devices such as surgical guides and 3D bone models as part of the CMX service The specific design of the custom-made products and their usage in the OR help to achieve a more predictable outcome The web-based platform is easily accessible at all times	Product innovation, key to support complex patient-specific indications in the treatment of the distal radius
	CMC Fusion Plate	Upper Extremities	Stable construct Several options for compression of the fusion site K-wire holes for pre-fixation of the plate Proximal recess for central placement of the transfixing CCS screw	Additional treatment options for CMC-1 osteoarthritis

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. This services require staff with a very high standard of professional knowledge, able to provide the necessary information and instruction on products.

# Medartis and the IBRA: A longterm partnership for the benefit of patients

The International Bone Research Association (IBRA) is an independent non-profit organization established by surgeons for surgeons. For almost 18 years Medartis has been working closely with its scientific and academic partner, the IBRA, with the goal of promoting evidence based orthopedic procedure and solutions for patients. Since its inception in 2004, the partnership has intensified over the years and activities were expanded geographically. Its broad professional network provides Medartis special insight into customer needs and further development opportunities. IBRA's mission is to promote the professional development of its members for the benefit of their patients. It supports surgeons and medical professionals through continuing medical education programs, research projects, and professional exchange opportunities for physicians from all over the world. The primary focus of the IBRA is on the promotion, development and dissemination of knowledge about orthopedic surgical procedures in the upper and lower limbs as well as head and have the following focus:

- Bone biology, including osteointegration, bone generation, and soft tissue reaction
- Maxillofacial and orthopedic 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.

## Organizational 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 organization 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 orthopedic 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 categorized 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.

## Two different membership categories

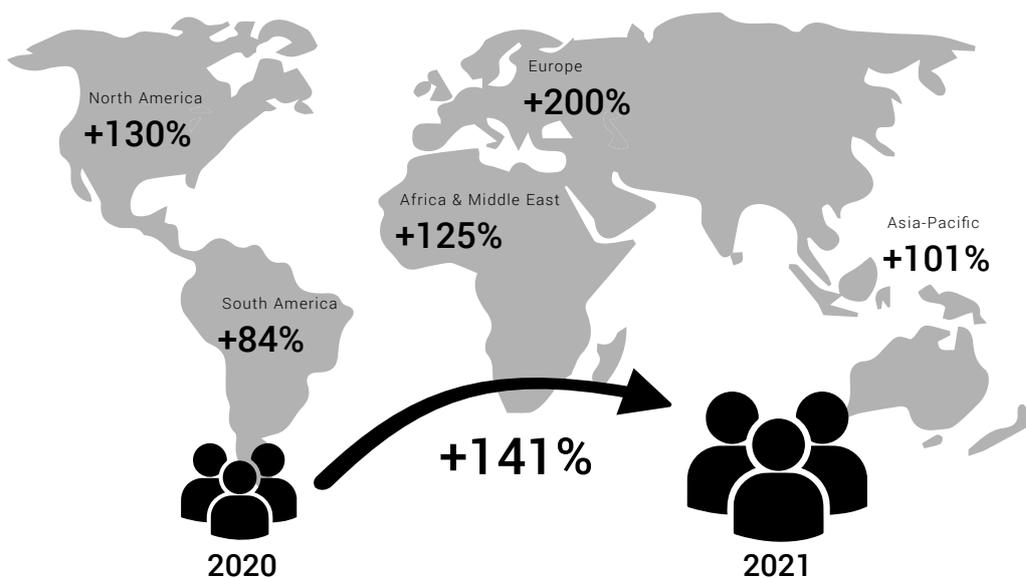
IBRA lives for and from its members. Interested parties can choose between two different membership levels:

### 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

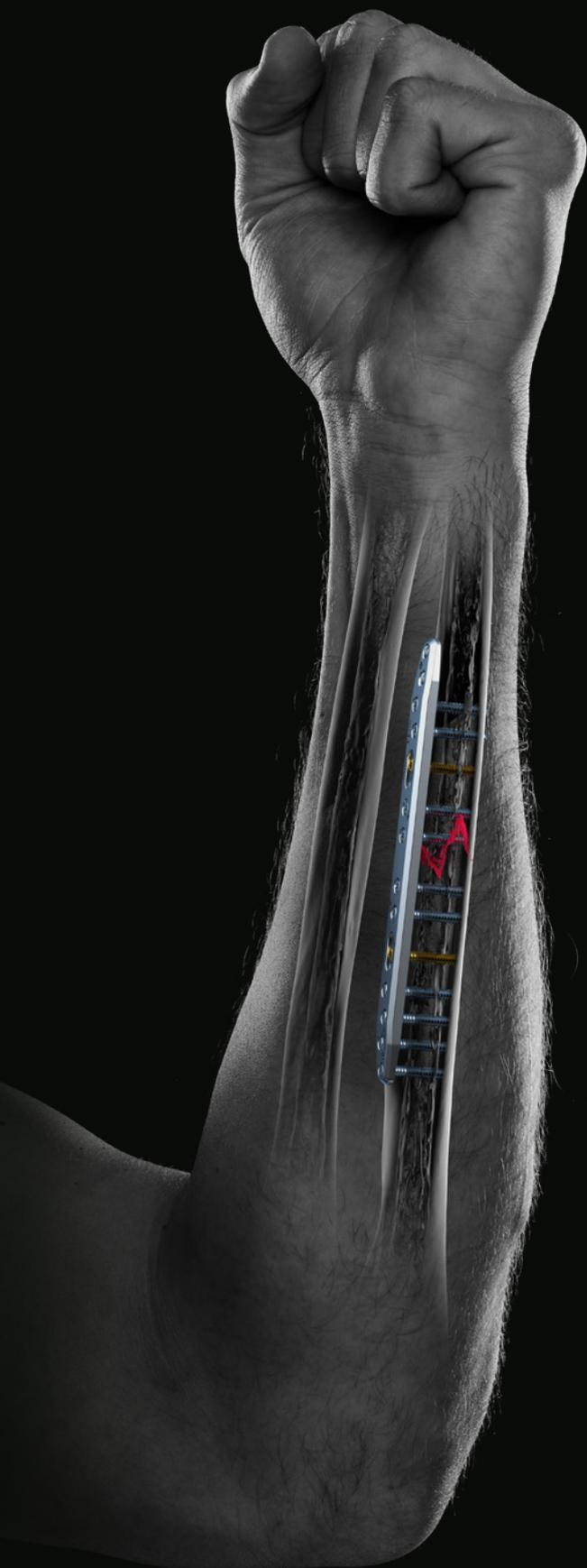
This category is open to surgeons only. Full members have access to courses of various levels and benefit from a 50% discount on all courses. In addition, full members constitute the "voting body" of the IBRA AGM. Since IBRA's 15th anniversary two years ago, the number of members has more than doubled and IBRA now enjoys members from over 60 countries. This increase is largely due to the expanded online activities as well as the expansion efforts in Asia, Australia, and the Americas. Steady growth underlines the success of the IBRA's undertakings and the need for peer-to-peer education and knowledge transfer. New training centers were established in these regions, participation in local congresses was increased and a greater variety and number of courses were organized.



2021 year-on-year change in the IBRA membership

## Outlook 2022

For 2022, plans are in place to expand IBRA's activities even further in all three segments. This will enable a greater exchange of members within a country or region as well as easy participation in on-site events given the ongoing travel restrictions during the pandemic. In cooperation with the more than 50 IBRA training centers, interactive virtual events will continue to be offered in various languages (mainly English, German, Spanish, Portuguese, and Mandarin). For the IBRA Chapter North America, besides the appointment of a local ambassador and a research and education committee, the plan is to expand the course offering, to collaborate with more training centers, and to be present at the principal CMF and limb congresses in the US to raise its brand awareness and expand its membership base.



# Patient story

## Hear the patient journey of Benjamin Brown

**Benjamin Brown works in the consultancy industry and he is a passionate rugby player. He broke his forearm during a league match and has been wearing a Medartis implant ever since. Born near Birmingham, the 27-year-old has been playing rugby for two and a half years with the Basel Rugby Club in his new home country. We wanted to hear his story and find out how Medartis solutions helped in restoring his life.**

Benjamin is a sports addict. He is versatile and plays a variety of sports, but his passion is for the English national sport. He has been playing rugby since he was 5 years old. Benjamin is aware of the danger. Rugby is a risky sport and you have to accept that you can get hurt, even if you learn how to protect yourself naturally in training from a young age. Nevertheless, injuries are frequent. It is not surprising that approximately 1 in 4 rugby players are injured during the season, with each player performing an average 20- 40 tackles per match. According to statistics from the "Australian Rugby Union", over 50% of injuries reported are minimal or mild. Shoulder (18%), knee (13%), thigh (12%) and ankle (12%) account for half of all injuries. In contrast to players of the American variant, the players in rugby union players are almost unprotected. Most wear a mouth guard, but few wear a head guard. Strong muscles give a slight sense of security.

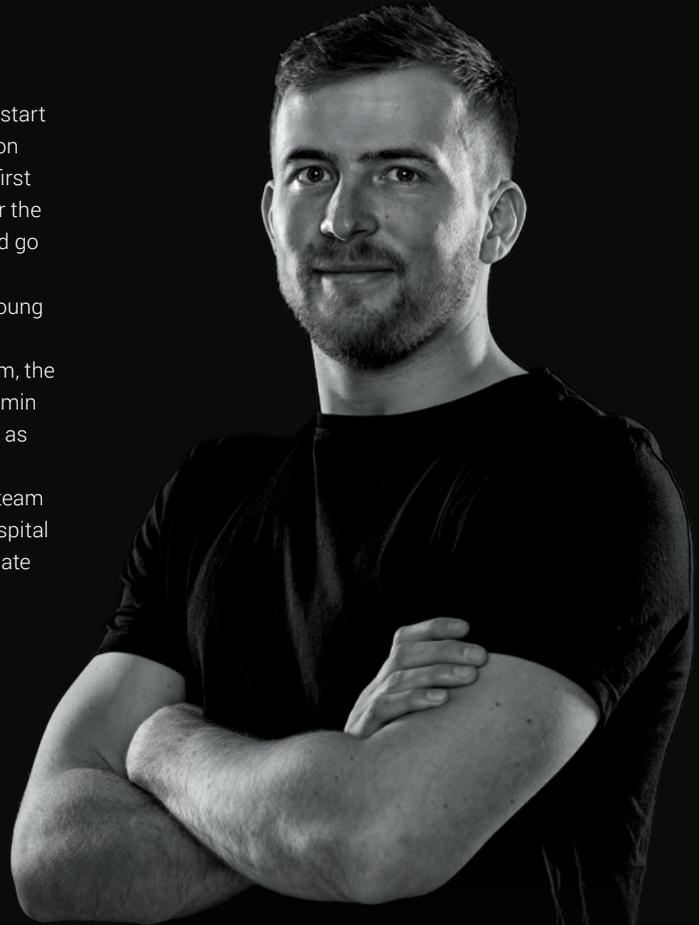
Benjamin has also had several injuries. But the complicated Ulnar fracture last October was the worst injury he has had so far in his sporting career. In a championship match, his arm hit the shin of an opposing player. Shortly afterwards, he had to be substituted. The pain was limited, but when he touched his arm, he felt that something was wrong. He could move his bone.

The next day he went to the nearby hospital, the Hirslanden clinic in the suburbs of Basel. For the doctor in charge, Dr. Nicolas Schmutz, Benjamin's case was clear: the bone was displaced and the ulna shaft fracture needed open reduction and a plate fixation. In a short, one-and-a-half-hour operation, the bone was repositioned and fixed with a titanium Aptus 2.8 Trilock Ulna Shaft Plate and 11 screws.

Thanks to the surgery, the young athlete was soon able to start fitness training again. He wore an elbow splint for protection during the first two weeks and started mobilization in the first week. He did not need physiotherapy. Just two weeks after the surgical treatment, he was able to do his first exercises and go back to a reduced work week. He recovered full range of movement after six weeks, and within three months, the young athlete was already back on skis in the Swiss Alps. Since January, he has also been playing rugby again with his team, the 'Basel 1st XV'. As camaraderie is important in rugby, Benjamin was glad that the hospital allowed visitors throughout day, as the Basel rugby players were able to visit their colleague regularly in the hospital. Benjamin is proud to be part of a team with such great integrity and collegiality. Even after the hospital stay, the other players took care of their injured teammate and took him to leisure activities with them.

**"As soon as I was back on the pitch with my friends, all thoughts of quitting were completely gone."**

We wanted to know from an amateur athlete this type of accident makes you think about quitting. Despite the very pleasant experience at the hospital and the smooth recovery, it was a hard thing to go through. "I am such an active person and I rely so much on sport as my number one release. I went through a difficult period when I was unable to continue the majority of my social and cognitive outlets that sport offers", commented Mr. Brown. As soon as he was back on the pitch with his friends, all thoughts of quitting rugby were soon gone: "My teammates were so fantastic to me. They motivated me, encouraged me and built me up." In his view, the social function of sport should not be underestimated. In his team, the Basel 1<sup>st</sup> XV half, in which half the players are locals and half are expats, 6-7 languages are spoken. Cultural and social exchange outside of work are important for assimilation and integration when people are far away from home. "It has been my number one best thing that I have done since I came to Switzerland."



# Sustainability at Medartis

**Medartis wants to make sustainability pervasive across its core processes and reflected in its corporate culture. It will continue to be an integral part of how it sources, designs, manufactures and distributes its solutions, with the ultimate goal of improving the carbon balance and circularity of its operations. Medartis acts according to its stated mission: "Restoring quality of life". And 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.**

The formal requirements and regulatory framework for environmental and social reporting are increasing, especially for listed companies. This is no longer limited to large companies in high-emission industries but affects companies of all sizes and sectors. 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 consumed. Since its inception 25 years ago, the company has always been on the lookout for ways to optimise its regional footprint and make improvements for its employees and other stakeholders. The trends of recent years together with the Covid-19 pandemic have demonstrated and confirmed the importance of making environmental, social and governance (ESG) principles integral to the way Medartis does business. In 2021, the company decided to collect 'scope I and II' figures, and analyse and optimise internal data more systematically and on a global level. In 2022 and beyond it will enlarge the scope of this endeavour. Medartis is in favor of a system that relies on accountability and self-initiative. The company will therefore continue to drive transparency and monitoring over the coming years. In 2022, the firm will also review its processes to confirm 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 partners and upstream suppliers to achieve systematic improvements throughout the entire value chain.

## Relevance and sustainability analysis

The key topics identified in the 2021 assessment are displayed in the illustration below. 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

For these areas, it will measure its impact in terms of carbon, volume, circularity and other environmental indicators.

In 2022 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	

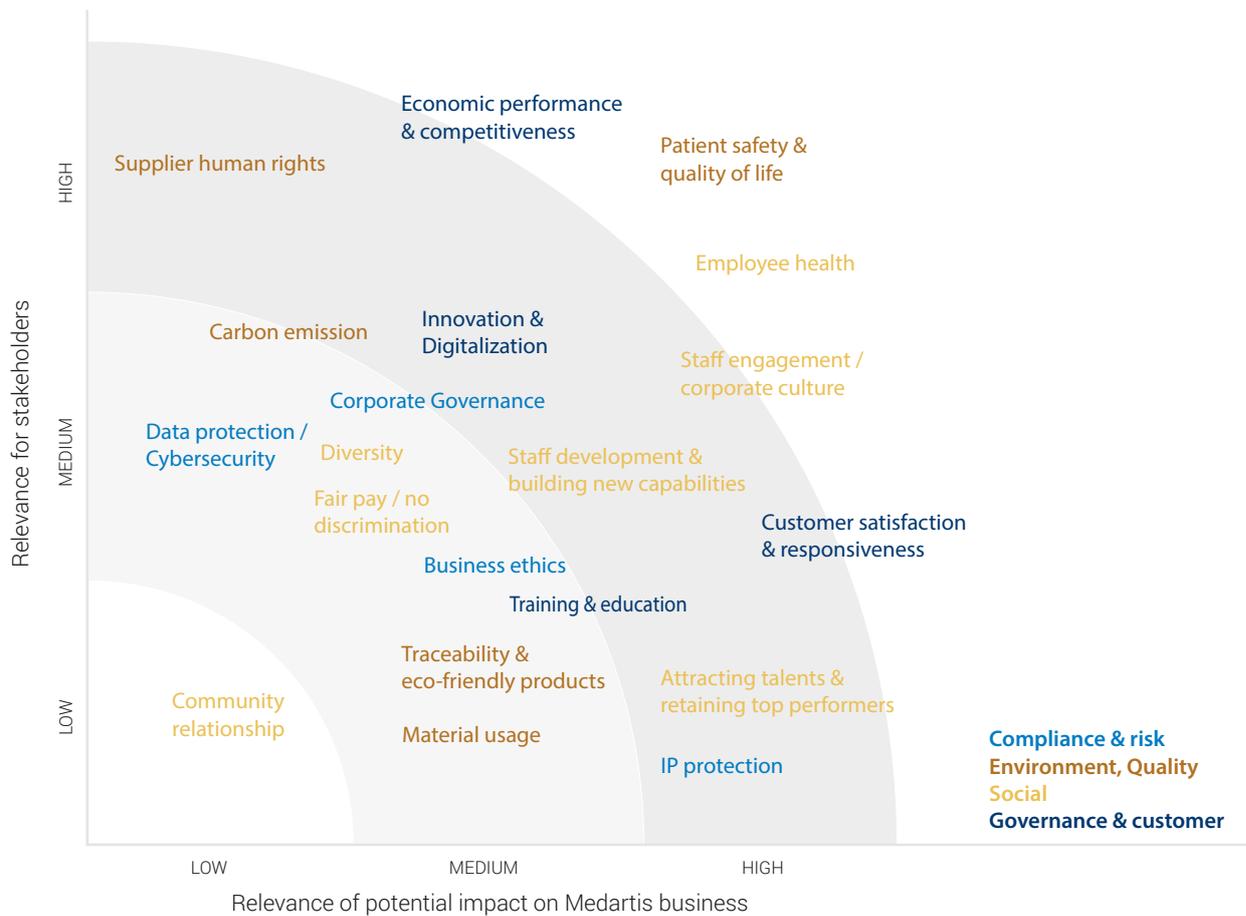
To understand their specific needs, Medartis fosters interactive dialogue and a feedback culture on many levels and through various channels. Here are two examples of how stakeholder demands can change and evolve.

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	Charitable contributions



## Looking back

Due to the outbreak of the Covid-19 pandemic, the importance of "employee health" suddenly came to the fore. Medartis has constituted local taskforce teams to protect its employees from infection, while also limiting the risk of production or supply chain interruptions. The company has been able to supply all customers with the desired products and services on time. Due to the pandemic, remote working models and working from home have seen a substantial rise. During the various lockdowns, maintaining operations has been a necessity, but the company has also seen these phases as an opportunity to distinguish itself as a modern employer and has since offered its employees a hybrid working model.

"Digitalisation" and "staff engagement" have also become more pertinent as Medartis strives to build a learning, agile organisation that fosters entrepreneurship. That is why all these topics have moved into the upper right quadrant. Our e-learning options for employees, distributors, and customers, livestream training sessions, online onboarding and online leadership and development activities are all important steps in this direction. Medartis advocates a collaborative leadership model, whereby everyone in the organisation is working towards a common goal. 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. Over the last two years, Medartis has reduced the gender gap in its executive board and middle management. Nevertheless, qualifications, track record and cultural fit will remain the most important selection criteria for new Medartis employees.

## Production and Supply Chain: Medartis Switzerland is carbon-neutral

As a responsible company, Medartis wants to monitor and optimise its environmental performance regularly to understand the impacts associated with its operations, and to identify opportunities to reduce its footprint. Global warming, the emission of production resources, and the economic 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.

Surgical plates and screws are the principal products of the company. 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 is used as a cooling agent during the fabrication process, followed by cleaning, packaging and sterilization. Other indirect production activities relate to metal instruments and surgical containers for use in surgical procedures in hospitals or other inbound treatment centres.

Compared with most manufacturing companies, the impact associated with Medartis' operations is relatively minor, for several reasons. Firstly, Medartis currently manufactures products centrally at a single place in Switzerland, which meets the high Swiss production standards. Secondly, its core activities in metal processing are not a source of heavy emissions. Thirdly, the company does not use heavy materials (such as lead, mercury or manganese), either as raw materials, auxiliary materials or as alloys. Neither does it use raw materials from conflict minerals and it requires its suppliers to ensure that the source is traceable.

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. As 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 and water consumption, and waste management. Its biggest environmental impact occurs during the production of final or semi-finished products and, to a much lesser extent, in the development or testing of new products.

Medartis' production and environmental KPI figures are summarised in the table below. As 2020 was an exceptional year due to pandemic restrictions for hospitals, the comparison also includes 2019.

			2019	2020	2021
	<b>Energy</b>				
	Electricity	MWh	3'726	3'948	4'416
	Heating	MWh	612	740	1'080
	Cooling	MWh	705	1'024	932
	Maschine hours	Hours	159'904	137'537	172'144
	<b>Water</b>				
	Water consumption	m3	3'041	4'403	5'571
	Consumption per day	m3	8.3	12.1	15.3
	Cooling water flow rate	m3	250'106	212'467	177'643
	Cooling water per machine hour	m3/Hours	1.6	1.5	1.0
	<b>Compressed air</b>				
	Compressed air	m3	6'722'682	6'400'702	7'318'153
	Energy efficiency	Joule per litre	392.4	395.8	391.2
	<b>Recycling / Reusable materials</b>				
	Titanium recycled (net)	Tons	16.2	13.2	14.4
	Paper/ Cardboard	Tons	10.4	7.9	6.5
	Paper/ Cardboard per capita	kg/headcount	37.8	28.7	21.1
	Office paper consumption	million sheets	2.6	1.7	1.6
	Office paper per capita	sheets/employee	9'418	6'187	5'550
	<b>Special waste</b>				
	Aqueous rinsing liquids	Tons	73.9	92.3	107.7
	Cooling emulsion (for milling machines)	Tons	35.3	21.5	30.8
	Cutting oil (for CNC machines)	Tons	5.6	2.5	1.4
	<b>Other waste requiring control</b>				
	Electrical appliances (SWICO-goods)	Tons	0.3	0.9	0.5
	Wood	Tons	5.6	5.4	8.8
	Others	Tons	0.2	0.4	0.0
	<b>Residential waste</b>				
	Sweepings	Tons	26.4	20.0	21.5
	Sweepings per employee	kg/HC	96.3	72.4	76.6

Note: The above statistics refer to the Swiss site where Medartis has exclusively located its global manufacturing facility, engineering, R&D and all other activities based at headquarters.

In 2019, Medartis decided to conclude a target agreement with the 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 the federal government's efforts to use energy efficiently and reduce greenhouse gas emissions.

The Medartis headquarters in Basel obtains 100% of its energy supply for operating the machines and for heating the buildings from renewable sources, mainly hydropower. The waste heat of the industrial plants in the neighbourhood is used not only 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 purchases 100% of its electricity from renewable sources. As such, the Medartis headquarters in Basel is thus carbon-neutral in terms of CO<sub>2</sub> intensity (fuels). The corresponding energy consumption is shown in the same table. In 2022, Medartis will also report its CO<sub>2</sub> emissions according to a generally recognised standard.

Electricity consumption at the headquarters and especially heating increased last year, because we in-sourced several production steps (e.g. washing, cleaning, packaging), which have to be done under clean room conditions. Water consumption also rose for the same reason. The water produced in the clean room during the washing of the implants must meet high standards and be changed frequently. However, the wastewater can be returned to the normal water cycle.



Certificate Agency for Industry



Energycertificate TÜV Süd

#### Zertifizierte Stromkennzeichnung

- Verbraucherefreundliche, fristgerechte Veröffentlichung
- Geprüfte Strombuchhaltung
- Sicherstellung von aktuellster und höchster Datenqualität

[www.tuev-sued.de/stromkennzeichnung](http://www.tuev-sued.de/stromkennzeichnung)



IWB Powerbox, Stücker

Medartis' main material is titanium and its derivatives. The recycling rate corresponds to approx. 90% of the waste generated in the production process. For this purpose, Medartis separates the metal chips and swarf from the oil residues that arise in the manufacturing process. Due to the pandemic and the reduced hospital capacities, the production output was very erratic in the last two years. In 2020, production volumes were reduced by approx. 20% and in 2021, Medartis registered a strong increase in demand again and production volumes rose accordingly by more than 50%. The company noticed a similar trend for plate, screw and auxiliary units. During this period, titanium consumption increased more or less in direct relation to the production volume. Demand for cooling emulsion decreased compared to the pre-Covid level of 2019, and despite dynamic growth in 2021. The oil consumption in our CNC and turning machines could be massively reduced. The implementation of an oil recovery process achieved its effect. Due to the higher number of machine hours (+8% vs. 2019), the demand for compressed air increased, but energy efficiency was able to be improved due to a new software control system, while the joules per litre were reduced.

Environmental stewardship is part of Medartis' training and education activities and 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. Today, supply chain networks are under increasing scrutiny for their social and environmental responsibility, 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. The document 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](http://www.ethicaltrade.org)), an internationally recognised code of labour practice founded on the conventions of the International Labour Organization (ILO).

In 2021, the main challenge for Medartis' principal production facility in Basel was coping with the strong pick-up in customer demand after a stable development in 2020. Global supply bottlenecks, logistic chain disruptions and surging freight costs made the environment for its production teams even more difficult. Another area of focus in the past year was protecting its personnel from Covid infections in the workplace by continuously updating and implementing a safety concept and conducting information campaigns to encourage the workforce to be cautious outside work, too, and get vaccinated. Thanks to these measures, far-sighted planning by management and the safety stocks of core raw materials, Medartis closed the past year without any significant supply shortfalls. Thanks to lean management and further process optimisation, the company actually extended its gross margin, despite slightly higher freight costs and headwinds from exchange rate fluctuations. Although the production workforce remained more or less stable, at approximately 90 people, output increased by more than 20% to over 3 million articles produced at Basel HQ itself.

## New cleanroom adds flexibility and reduces throughput times

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 you will find some examples that the company is currently implementing:

- One important milestone in 2022 is the rollout of its new cleanroom to gain more production flexibility in the future and reduce throughput times. The new addition to the modern facility in Basel will enable Medartis to reduce the cost of packaging and sterilising non-sterile and sterile implants respectively by an average of 20–40%. The lead time of our production is shortened by up to five days due to in-house packaging and transport of three million articles to suppliers and back can be saved. The cleanroom is fully equipped, operational and scheduled to go into operation in spring 2022, as soon as Medartis obtains MDR certification from the notified body.
- Another project, now close to completion, is a semi-automatic warehouse robot from Medartis' warehousing partner Kardex, which will allow Medartis to cope with the strong increase in demand over the coming years, while maintaining the same number of employees.
- 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. The goal is to complete this digitalisation step by the end of 2022.
- By introducing 100% automated measuring cell in screw production, the operations team was able to reduce measuring times in quality inspections of its screws to 25%, increase the quality of the measurements and introduce non-destructive testing, which significantly reduces reject rates.
- With the introduction of a 100% automated measuring cell in screw production, the operations team was able to reduce the measuring times for the quality inspection of its screws to 25%, increase the quality of the measurements and also introduce non-destructive testing, which significantly reduces reject rates.



100% automated screw measuring cell



Automated central warehouse in Basel



Cleanroom

## 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 authorities, notified bodies and other regulatory 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 includes 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 following EN ISO 13485:2016, latest effective date 4/2/2020, with validity until 3/2/2023 (reg. no. SX 60146588 0001). TÜV Rheinland LGA Product GmbH certified Medartis AG as compliant with the Medical Device Directive (MDD 93/42/EEC) on 11/9/2019, valid until 26/5/2024 (reg. no. HD 60140582 0001).

In 2021, Medartis successfully passed the stage 1 and stage 2 audits, which were aimed at verifying the quality management system's compliance with the requirements of Medical Device Regulation (MDR) 2017/745. Technical documentation to demonstrate product compliance with MDR 2017/745 is expected to be confirmed by TÜV Rheinland LGA Product GmbH by April 2022. 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. At the beginning of 2022, a dedicated internal compliance officer was recruited to meet the increasing national and international obligations in this field.

## Engaged employees who are proud to work for Medartis

After a pandemic-related interruption in 2020, where revenues remained stable, Medartis' topline grew strongly again in 2021. To ensure sustainable growth, expand direct contact with the customer base, and become more international, the company added 48 employees to its workforce, bringing its worldwide headcount to 684 in 2021. In addition to general turnover, the company has welcomed and trained more than 10% new employees.

Apart from the creation of new jobs, its largest commitment to people in 2021 was the start of the "Culture Journey", which aims to transform and adapt Medartis' corporate culture. The new culture is intended to encourage and foster entrepreneurial behaviour, collaborative leadership, risk-taking and high performance. The company started with training programmes for its top and senior management in 2021 and will continue with seminars for middle management in spring 2022. The aim is to extend the programme to all employees in 2022. The key to achieving this culture lies in cultivating a player-learner mindset and the company's new values, which are also reflected in a number of people processes, such as the annual review process and annual target setting. At the same time, Medartis has also re-sharpened and revised its Purpose, Vision and Mission Statement. It has developed supportive formats and exchange forums to anchor and democratise the new values at several levels within the organisation in 2022. Regular meetings between the Executive Management Board (EMB) and employees, as well as various focus groups, provide open and constructive dialogue and direct feedback on staff engagement. For this purpose, Medartis organised 'meet-the-EMB' sessions, where a selection of employees can exchange ideas with the management in an informal setting.

In 2022, this format will be extended to all international subsidiaries through "EMB on tour" programme, having started with Australia in December 2021. Over the last year, 10 staff meetings were held with the EMB, plus 16 informal small focus sessions. To drive the necessary change and ensure uptake, Medartis has promoted over 30 "Cultural Change Champions" – employees and HR professionals who are well connected at a local level. These internal influencers develop regional or local initiatives. In 2021, the company also conducted its first global staff survey, which is an important indicator of cultural progress and staff engagement. Employee feedback revealed that talent management, career development and a healthy work-life balance matter to its staff. By contrast, equal treatment and fair compensation are practically assumed to be a given.

In addition, Medartis monitors diversity in terms of age, gender, ethnic origin and educational background. In 2021, the Group's gender diversity remained relatively balanced, albeit with room for further improvement: women account for 36% of all our employees worldwide. The share in management positions is largely the same. Women are especially underrepresented in manufacturing jobs and technical professions – a phenomenon that can be seen throughout the industry.

## Diversity and pay equity analysis

Area	Key parameter	2020	2021
<b>Employees</b>	Total headcount	636	<b>684</b>
	Full-time equivalents	616	<b>666</b>
	Part-time employees	81	<b>82</b>
<b>Gender diversity</b>	Female share (total company)	36%	<b>36%</b>
	Women in management position <sup>1</sup>	34%	<b>31%</b>
<b>Turnover, protection and absences</b>	Staff turnover <sup>2</sup>	11%	<b>13%</b>
	Absence rate due to work-related accidents <sup>3</sup>	0%	<b>0%</b>
	Absence rate due to sickness <sup>3</sup>	2.5%	<b>2.2%</b>
	Work-related fatalities	0	<b>0</b>
	Substantiated cases of discrimination / harassment	1	<b>2</b>

Apart from sales, training and education, many of Medartis' core activities are pooled in one location: its headquarters in Basel. This allows for rapid decision-making and optimisation of the value chain. For that purpose, development, quality, production, management and a large part of marketing, event coordination and the supply chain business are located at the headquarters. As a result, 40% of Medartis' worldwide employees are based in Switzerland. In 2019, the Swiss Federal Council put a new federal law on equality into force, which 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 review was an important impetus to systematically calculate and monitor salary discrepancies for its workforce in Basel. Medartis' equal pay analysis during the reporting period has been audited by Ernst & Young and the report did reveal 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 exemplifies that there are no systematic or unjustified salary discrepancies for doing the same job. The figures – which tally 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 results were communicated to all employees in 2021. The plan is to repeat this analysis at least every four years and also perform such analysis for Medartis' international subsidiaries in 2022.

Medartis continues to offer apprenticeships and internships with the aim of offering jobs to as many participants as possible. In Switzerland, the company currently offers apprenticeships in three areas – commercial, logistics and polymechanics – and employs 10 apprentices. As part of talent and leadership training, the firm has initiated a comprehensive online training programme for its executives in 2021. Participants exchange the theoretical knowledge that they have acquired in small peer-to-peer groups.

## Correct and ethical behaviour

The Medartis Code of Conduct defines the company's expectations for ethical behaviour in all its business activities. It prohibits bribery, corruption, unfair competition, misleading marketing harassment, discrimination and unequal treatment. Medartis is committed to providing a workplace free from harassment and unlawful discrimination. 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 2021, 12 complaints were reported to the Ethics Committee. All allegations were promptly addressed by the committee. One of the complaints was substantiated and resulted in a written warning and one case led to a dismissal. In 2021, no specific concerns were raised relating to human rights violations, so no remediation or mitigation actions needed to be taken.

Health awareness and safety training, 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 in the course of the year.

## Outlook

In the course of 2022, Medartis will establish an ESG Council to oversee and further develop the Group's ESG strategy. As part of the strategy, the company will refine its statistics and involve more partners. This will build the base for detailed ESG reporting that will allow us to define quantified targets and monitor progress on key performance indicators and initiatives. The Board of Directors will approve the ESG strategy, initiatives and targets and receive progress updates on a semi-annual or annual basis.



CMX APTUS Wrist/Forearm



**2021** | Independent Expert Interviews

# Independent Expert Interviews

## Insight Talk

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



### Prof. Dr. med. Christina Stukenborg-Colsman

Christina works at the Orthopaedic University Clinic Annastift clinic in Hannover as Chief Medical Officer where she heads the foot and ankle surgery department.

**Sport and casual sneakers has increasingly been replacing dress shoes and heels in recent years and this trend has accelerated in the home office context. Has this already led to a significant reduction in bunions or any other forefoot deformities?**

I don't think that the incidence of hallux valgus has decreased recently. Research shows that there is a genetic component for the development of a bunion and shoes are not the primary reason. Although I believe that if you have a risk, a tendency or a genetic disposal, wearing high heels increases your risk of a deformity. There's another reason why incidence numbers are not decreasing. As the society gets older, patients get bunions at a later point in their life. I see affected patients at a young age, in their middle age, but I also see older patients aged 75 to 80 who develop a symptomatic hallux valgus.

**The sport shoe market is booming and some popular brands have been listed on the NYSE. Have you also been asked for your expert opinion from sport shoe manufacturers?**

I'm not directly involved in shoe development, but my patients often ask me what shoes they should wear for sport activities. Of course, there is a high pressure in the market, but when it comes to hallux valgus or other foot and ankle disorders, the claims are often marketing.

**Let's change the subject for a moment. The share of female orthopaedic surgeons in Germany is below 15%<sup>1</sup> and in most other countries even below 10%. This is considerably less than in other medical disciplines. Will that change in the foreseeable future?**

<sup>1</sup>) Women doctors in orthopaedics and trauma surgery in Germany: a current status quo, Patricia M. Lutz, Julia Lenz, Andrea Achtnich, and Stephanie Geyer; Orthopade. 2021; 50, p. 713–729

At Hannover Medical School, where I work as a professor, 68% of our students are female. So in the future, medicine will have more female doctors. However, surgery is not very attractive for female medical students. This relatively low share can also be observed in other disciplines like abdominal or cardiac surgery. In order to attract more female students to pursue orthopaedic and trauma surgery. I guess we will have to advertise this more and we may have to change our daily practice a little bit in order to attract more women.

**In your clinic in Hannover 2 out of 5 doctors are currently women. Are you a role model for young female surgeons or a mentor?**

Well, I personally combine both. Of course, when you are heading the foot and ankle department, you are a mentor for all the other younger doctors and students, regardless of whether they are female or male. In Hannover, where I completed my training, we always had a relatively high proportion of women. Of course, it was not 50%, but higher than average. My former boss Prof Wirth and Prof Windhagen always had a high percentage of female doctors in their team. And this is the only way to get more women into the leading positions. When women get into leadership positions, they naturally act as a role model for other women.

**How well informed are your patients today compared to 5 years ago?**

They are better informed than 20 years ago, but sometimes I have the impression that they are more confused than 5 years ago. Patients receive so much information from the Internet and other sources that they sometimes have difficulty classifying the information. As a result, patients in Germany travel from doctor to doctor to obtain different treatment opinions. In the end, they are overwhelmed and confused. It is our job to educate the patients, give them a clear guidance and explain how we think their case should be treated.

**You have personally gathered experience with resorbable screws and plates. Where does the technology stand today?**

20 years ago, in Germany we were already working in this area within the framework of an interdisciplinary research project called "Sonderforschungsbereich". We cooperated with colleagues from the technical university and we were able to develop self-resorbable magnesium screws. Nowadays, we are at the state of smaller devices like screws and K-wires, but the technology does not yet work for larger plates. During the degradation process, chemical processes are set in motion and gases are released, which are complex. But the development continues. We performed a clinical study for Chevron osteotomies to treat hallux valgus deformities and the outcome was very good and the screws resorbed completely.

**What are the key benefits of resorbable plates?**

Well, the key benefit is that you don't have to operate a second time to take the implant out.

**How often is this the case?**

That depends entirely on the situation and the product. You don't have to remove a thin 3.0 cannulated compression screw from Medartis. But for indications at the heel or if you use larger screws that irritate the soft tissue, patients prefer to have them removed. Plates, on the other hand, need to be taken out more often. But as mentioned previously, the plates are not yet on the market.

**What is the most important unresolved problem in foot and ankle surgery?**

In ankle surgery the treatment of cartilage is still challenging. Even a small lesion can lead to great pain in the ankle joint. And if we look at our orthopaedic surgery, I think precision and repeatability will be big topics in the future. Although implants and instruments are already great, we can still improve them.



## Dr. med. Piotr Czarnecki

Piotr works at the Poznań University of Medical Sciences in Poland and specialized in orthopaedics and trauma surgery. He is a member of the hand trauma and examination committee of the Federation of European Societies for Surgery of the Hand (FESSH).

### How many hand surgeries have you performed so far in your career?

That's not an easy question, but I estimate that I have performed about 4 000 procedures in my 10 years as a specialized hand surgeon.

### That's an impressive number. Based on this experience, what are the most important success factors in hand surgery?

There are many of them. The technical details are very important. It matters what kind of equipment you use, what technical skills and knowledge you have. But I think a very important factor is proper clinical assessment. We were always told this at university, and I was a bit bored with it. Now, after I have worked several years as a surgeon and performed thousands of surgeries, I've realized that it's true. A good diagnosis is crucial, and so is what you tell the patient. Expectations need to be clarified at the beginning. What are the goals of the surgery and what are the possible problems? This is the only way to build mutual trust.

### Poland is known for having many good musicians and composers. Are you actually more nervous before a challenging surgery if you know that you are treating a well-known pianist?

Of course, it is a challenge to treat a professional musician. But from my point of view, I'm especially nervous when I'm performing an operation for the first time or when I'm facing something technically challenging, like microsurgery, nerve surgery or complicated secondary reconstruction. And indeed, there are not only musicians or athletes who need a very good hand. I don't judge it that way.

### Has the trend towards home offices and remote work affected the volume and type of trauma cases?

Right at the beginning of the pandemic we saw a drop in surgery volumes. During the isolation phase, people were not mobile and stayed at home.

But since then, the activity levels and volumes in my practice are more or less back to the pre-coronavirus level. I believe that the injuries will remain unchanged, but there are other follow-up problems because patients have changed their behaviour and are not going to the doctor even though they should.

### Together with KeriMedical, Medartis promotes a trapeziometacarpal (thumb) prosthesis in selected countries<sup>2</sup>. What has been your experience with this type of dual-mobility implant?

I started working with monopolar devices twelve years ago and am now very excited about this bipolar prosthesis, as it clearly diminishes the complication rate and leads to more predictable outcomes. In my opinion, however, it is also very important that the company supports clinicians with basic and clinical research that helps us to position the cup properly to achieve clinical excellence.

### What innovations are needed next?

I think we definitely need further development of the equipment. Maybe there will be some patient-specific instruments or guides that will help us position the implants properly in the trapezium. I also think augmented or enhanced reality will become more popular and should help surgeons learn faster and avoid mistakes.

### Will digital technology evolve to the point where robots will replace hand surgeons?

I like to think about this scenario because I have been a science fiction fan for many years. I'm interested in what kind of visions authors are developing. But I think the most important question is whether mankind will accept the takeover by machines or not. I am convinced that the influence of machines, robots and artificial intelligence will increase year by year, but I don't know what the reality will be in the end. I hope that humans will still be able to supervise the machines (laughing).

<sup>2</sup>) At the time of the publication of this report the prosthesis was distributed in Germany, Austria, the UK and Australia.



## Prof. Dr. med. Gregory Rafijah

Professor Dr. Rafijah currently serves as Clinical Professor at the University of California, Irvine. He specializes in the medical and surgical care of the hand, wrist and elbow.

### **At the University of California, you treat severe trauma cases regularly. What impact has COVID had on your work?**

During the stay at home order, all of our elective surgery cases were cancelled because the hospital was simply overwhelmed taking care of COVID patients. The primary work that we were doing was taking care of trauma patients. The nature of the trauma changed greatly. As you all may know, we have a robust freeway system in Southern California, that brings in a high volume of high energy traffic accidents that essentially vanished during the pandemic. The freeways were wide open and nobody was driving as people were staying at home. As a result, the nature of our trauma cases changed fundamentally. Even though the overall volume remained about the same, the nature of the trauma was more reflected by things that were happening at home, such as domestic injuries from domestic violence disputes, suicide attempts and people who were at home working on home improvement projects, cutting off fingers with saws and injuring their hands with drills and so forth. The increase in mental health issues was dramatic, accounting for roughly half of the E.R. patients.

### **Apple and Google movement data reveal that people in LA had been less on the road since Covid, but mobility is now almost back to "normal". Has your clinic experienced a similar trend?**

Patients are coming into the hospital now for elective cases, and the trauma cases from freeway accidents have essentially returned back to pre-pandemic levels. Freeway volume is back to normal, which is shocking because gas prices have gone through the roof due to inflation and the strength of the current economy. I think people at large just want to get back out into the world.

### **Have the changes in leisure activities and new electronically powered sports equipment led to new types of trauma accidents?**

We have a very active community in Southern California, and we've been seeing a lot of injuries from mountain biking and skateboarding. And as you mentioned, electric vehicles have really surged here in California, with people riding electric tricycles, electric scooters and skateboards.

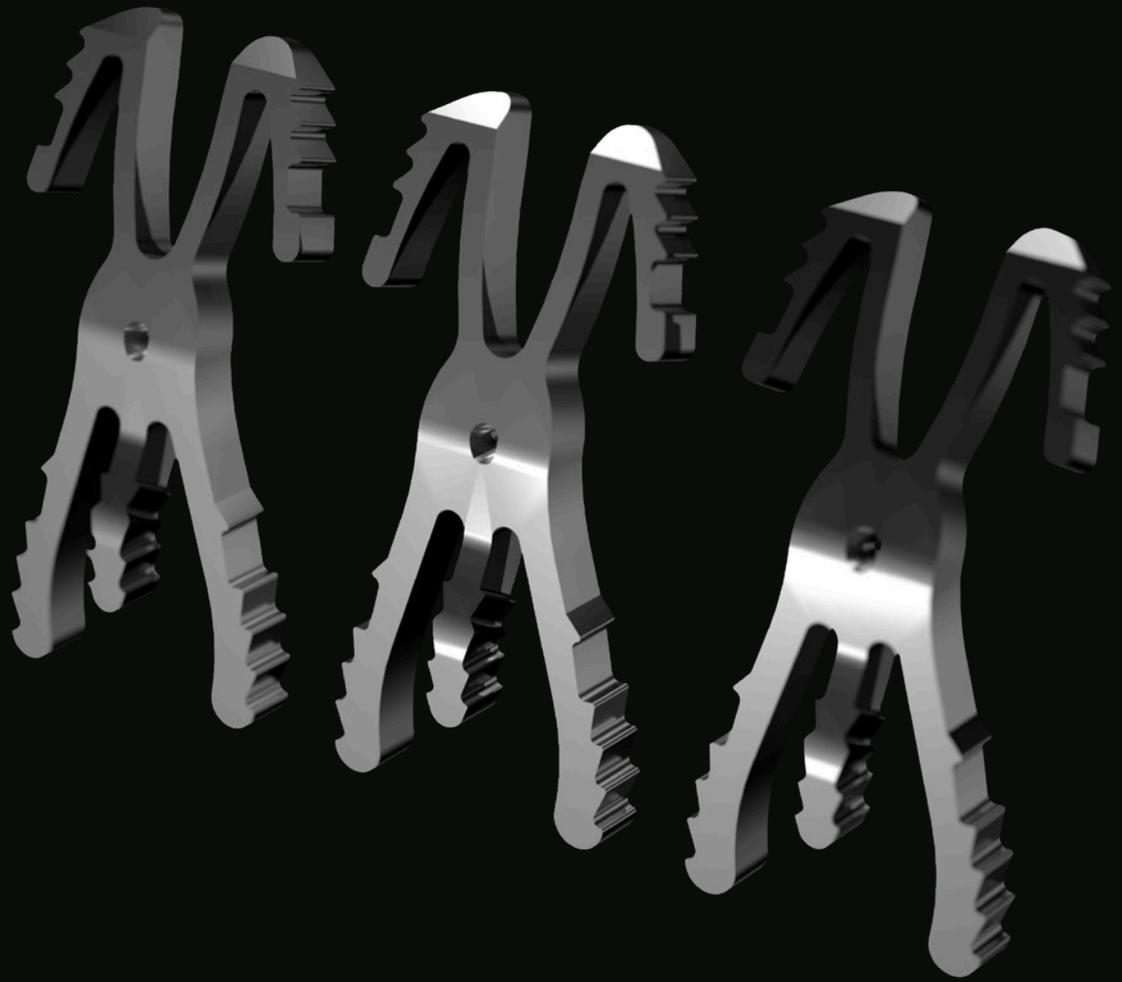
Those devices have brought in a ton of injuries. As a cyclist myself, I'm always amazed to see somebody who's riding an electric bike, going 25 miles an hour (40km/h) with no helmet and no skills to control bike at that speed. And it's quite interesting how many of those patients are now coming into our emergency rooms.

### **You have been involved in the design of the Medartis spanning plate, which is used in severe cases, often in patients with polytrauma. How often do you use this plate and what is the typical patient case?**

We have six hand surgeons here at UC Irvine and they use a variety of plates from different manufacturers. And I would say that as a group, we're probably putting in about three standing plates per week for our trauma patients. I naturally prefer to use the Medartis plate because I was on the design team, but I really think it's a superior product. It's very strong due the way it was designed and it's easy to insert. In fact, I just saw a patient back in the clinic last week who had a dorsal spanning plate put in two months ago for a pretty bad distal radius fracture, and he's been swimming up to a mile a day in the pool with this spanning plate intact, getting right back to his life and all of his normal physical activities. So it's an excellent plate, which I use for extensive polytrauma treatments or for geriatric patients who come in with osteopenia or fractures that have bone that's so soft that it really precludes them from being treated with traditional plate designs.

### **You have worked in Chicago, Washington and in California. Does the medical and insurance system in the different states have any impact on the surgeon's treatment protocol?**

There are regional differences, but for the most part, we're able to treat our patients within the confines of private insurance. Public insurance is more difficult, but thankfully California has a very robust insurance system for its underprivileged or underfunded patients, who account for about 25-33% of our clinic volume. What I have noticed in this country is the increasing scrutiny of claims by insurance companies, which did not exist when I started work 20 years ago. Especially elective procedures are reviewed and this extra work is not reimbursed by the insurance company.



KeriMedical KeriFuse® Arthrodesis

# 2021 | Corporate Governance Report

# Contents

1. Group structure and shareholders	45
2. Capital structure	46
3. Board of Directors	49
4. Executive Management Board	61
5. Compensation, shareholdings and loans	64
6. Shareholders' participation rights	64
7. Changes of control and defense measures	65
8. Auditors	66
9. Information policy	67

# Corporate Governance Report

The Medartis corporate governance principles and rules are laid down in the [Articles of Association](#), the Rules for [Organizational Regulations](#), the Corporate Compliance System including the Code of Conduct, and the Charters of the Board Committees. Further, Medartis takes into account the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at 31 December 2021.

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.
- 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 2021 was CHF 1'538 million. The closing price on 31 December 2021 amounted to CHF 130.20. 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 2021 can be found in Note 1 of the Financial Report.

### 1.2 Significant shareholders

The table below shows shareholders and shareholder groups owning / representing more than 3% of the voting rights of Medartis as published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange as of 31 December 2021.

Direct holder	Shares	% of voting rights
Dr. h.c. Thomas Straumann, Riehen, Switzerland	5'624'430	47.61%
NexMed Holding AG, Freienbach, Switzerland <sup>(1)</sup>	921'035	7.80%
Endeavour Medtech Growth LP, Guernsey, Channel Islands <sup>(2)</sup>	778'337	6.59%
Nordflint Capital Partners Fondsmaglerselskab A/S	709'056	6.00%
Willi Miesch, Küssnacht (SZ), Switzerland	617'917	5.23%

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

<sup>(2)</sup> 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 note 15 and 16 in the 'Notes to the financial statements' of the Financial Report section in this report. 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

The ordinary share capital as of 31 December 2021 has a nominal value of CHF 2'362'873.60, consisting of 11'814'368 fully paid-in registered shares with a nominal value of CHF 0.20 each.

The **authorized share capital** as of 31 December 2021 has a nominal value of CHF 1'175'052.80, consisting of 5'875'264 shares with a nominal value of CHF 0.20 each.

The **conditional share capital for bonds and similar debt instruments** as of 31 December 2021 has a nominal value of CHF 1'056'957.20, consisting of 5'284'786 shares with a nominal value of CHF 0.20 each. The **conditional share capital for employee benefit plans** as of 31 December 2021 has a nominal value of CHF 105'327.80, consisting of 526'639 shares with a nominal value of CHF 0.20 each.

### 2.2 Authorised and conditional capital

#### Authorised capital

At the Annual General Meeting of 17 April 2020, the company's shareholders resolved to create authorized capital in the maximum amount of CHF 1'175'052.80, corresponding to 5'875'264 shares with a nominal value of CHF 0.20 each, or up to 49.7% of the capital issued and outstanding as of December 31, 2021.

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

#### Conditional capital for convertible bonds and similar debt instruments

At the Annual General Meeting of 17 April 2020, the company's shareholders resolved to create conditional share capital to be used for convertible bonds or similar debt instruments. The share capital may be increased by up to CHF 1'056'957.20 by the issuance of up to 5'284'786 shares with a nominal value of CHF 0.20 each, or up to 44.7% of the capital issued and outstanding as of 31 December, 2021.

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

### Conditional capital for employee benefit plans

At the Annual General Meeting of 19 February 2018, the company's shareholders resolved to create conditional share capital to be used for employee benefit plans. As of December 31, 2019, the outstanding share capital amounted to CHF 118'095.60 with the possibility to issue 590,478 shares with a nominal value of CHF 0.20 each. In 2020 and 2021, 27'619 registered shares and 36'220 shares respectively were created from conditional capital. The share capital outstanding as of December 31, 2021 can therefore be increased by up to CHF 105'327.80 by issuing up to 526'639 shares (4.5% of the existing capital issued). Further information can be found in articles 3c and 5 of the [Articles of Association](#) and in article 2.3 of this Corporate Governance Report.

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

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

## 2.3 Changes in capital

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

Date of share issuance registration	New nominal share capital (in CHF)	Total number of shares issued
20 December 2019	2'350'106	11'750'529 shares at CHF 0.20 each <sup>(1)</sup>
21 April 2020	2'355'630	11'778'148 shares at CHF 0.20 each <sup>(2)</sup>
During 2021	2'362'874	11'814'368 shares at CHF 0.20 each <sup>(3)</sup>

<sup>(1)</sup> On 20 December 2019, 9'522 registered shares were created from conditional share capital on the basis of Article 3c of the Articles of Association by exercising options from the Long Term Incentive Programme (LTI) of Executive Management Board members for the 2018 financial year.

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

<sup>(3)</sup> 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 Programme (LTI) of EMB for the 2019 financial year for non-Swiss residents and for 2020 for Swiss residents as well 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 Plan (ESPP) 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. The aforementioned shares have not been registered in the commercial register as per 31 December 2021 and therefore the commercial register at year-end 2021 has a nominal value of CHF 2'355'629.60, consisting of 11'778'148 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 2021, 9'608'578 shares representing 81.3% of the issued capital were registered in the share register. The total number of shareholders registered amounted to 2'217. 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 Board of Directors 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 Board of Directors shall designate an independent voting representative for the next General Meeting.

Shareholder structure<sup>1</sup> on 31 Dec 2021:

Number of shares	Number of shareholders	Cumulative share of all registered shares
1 – 10 shares	84	0%
11-100	769	0.5%
101-1'000	1'073	3.9%
1'001-10'000	162	4.6%
10'001-100'000	24	7.0%
>100'000	5	84.0%
<b>Total</b>	<b>2'117</b>	<b>100.0%</b>

<sup>1</sup> Non-registered or undisclosed shares are not considered in this table. They represent 18.7% 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 Board of Directors, which may delegate this authority. Approval shall be granted if the purchaser discloses his name, nationality and address on a form provided by the company and declares that he has acquired the shares in his own name and for his own account.

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

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

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

## 2.7 Convertible bonds and options

Medartis followed in 2021 its corporate long term incentive plan with restricted shares (LTI) for members of the Executive Management Board. In the event of a change of control, the Board of Directors, at its own discretion, is entitled, within the scope of the statutory provisions to make adjustments to the plan.

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

### 3. Board of Directors (BOD)



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

#### 3.1 Members of the Board of Directors

The table below sets forth the name, year of birth, function, committee membership and term of office of each Board member as of the date of this Corporate Governance Report. All members of the Board of Directors are non-executive members. Other than Willi Miesch, 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	First Elected
Marco Gadola	1963	Swiss	Chairman		2020
Dr. h.c. Thomas Straumann	1963	Swiss	Vice-Chairman	Member of the SIC	1998
Dominik Ellenrieder	1958	Swiss	Member of the Board	Chairman of the HRCC Member of the SIC	2000
Willi Miesch	1964	Swiss	Member of the Board	Chairman of the SIC	2010
Dr. Jürg Greuter	1956	Swiss	Member of the Board		1997
Dr. med. Daniel B. Herren	1962	Swiss	Member of the Board	Member of the HRCC Member of the SIC	2017
Roland Hess	1951	Swiss	Member of the Board	Chairman of the FAC	2017
Damien Tappy	1969	Swiss	Member of the Board	Member of the FAC Member of the HRCC	2018

**Marco Gadola**

Non-executive Member

**Chairman of the Board since 2021 | Board Member since 2020**

**Other main activities in 2021:** Chairman of DKSH Holding AG, WS Audiology and VFS Global as well as Vice-Chairman of the Calida and 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 focusing on cultural transformation support and executive coaching. He is also actively involved with the FC Basel football club, where he is a board member.

**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 this, he was Chief Financial Officer at Straumann Group and Hero and held a number of leadership positions at Hilti. He began his career at UBS in corporate finance and at Novartis as a senior auditor.

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

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

**Dr. h.c. Thomas Straumann**

Non-executive Member

**Vice Chairman of the Board | Board Member since 1998**

**Other main activities in 2021:** Chairman of centerVision AG and CHI Classic 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 Board of Directors 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 Board of Directors 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 personal management experience and various shareholdings. As 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 2021:** 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 2021:** Board Member of the International Bone Research Association (IBRA). He is CEO and board member of the Nouvag AG, board member of SCEWO AG and member of the investment advisory committee of MTIP.

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

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

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

**Dr. Jürg Greuter**

Non-executive Member

**Member of the Board | Board Member since 1997**

**Other main activities in 2021:** Board Member of Stratus Seives AG, CHI-BHE AG, Ltd, Grand Hotel Les Trois Rois SA, centerVision AG.

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

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

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

**Dr. med. Daniel B. Herren**

Non-executive Member

**Member of the Board | Board Member since 2017**

**Other main activities in 2021:** 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.

**Roland Hess**

Non-executive Member

**Member of the Board | Board Member since 2017****Other main activities in 2021:** None.

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

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

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

**Damien Tappy**

Non-executive Member

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

**Other main activities in 2021:** Co-founder, Chairman and Managing Partner of Endeavour Vision and Member of the Young President Organization (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.

**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 members of the Board of Directors and Executive Management Board and other information (including information on the years of their first election, additional positions, memberships and activities) are available and continuously updated on the Medartis corporate website.

## 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.

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

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

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

## 3.4 (Re-)elections and terms of office

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

The Chairman of the Board of Directors and the members of the HRCC are elected by the Annual General Meeting. If the Chairman's Office is vacant, the Board of Directors appoints a Chairman from among its members for the remaining term of office.

In August 2021, the Medartis BOD has announced proposals for leadership succession intended to take effect at the Annual General Meeting 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 members of the board stand for re-election at the upcoming assembly.

Each year at least two black-out periods are imposed during which members of the BOD, executives, senior managers and other insiders are prohibited from trading in the Medartis stock. This is the case prior to the announcement of the company's half- and full-year results as well as in special situations, when potentially share price-relevant projects are processed over a longer period of time.

## 3.5 Internal organizational structure

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

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

Subject to article 19 of the [Articles of Association](#), except for the election of the Chairman, the 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 Executive Management Board. The Board of Directors is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organizational Regulations](#).

The 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 Board of Directors are stipulated by article 15 of the [Organizational Regulations](#). Without limitation, these tasks may not be delegated. The Board of Directors may entrust committees with the preparation and implementation of all or some of its decisions, as well as with the supervision of certain matters as further explained in section 3.5.2.

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

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

The 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 Board of Directors' firm believe that Medartis is a part of society, respecting human rights and treating natural resources and the environment with care when rendering its products and services. The 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 2021, the key topics of the BOD included, amongst other, strategic business development projects, Covid-19 business continuity, board committee work and reports and the corporate organizational structure. The BOD met 10 times, mostly in physical meetings whenever the pandemic situation permitted. The sessions lasted about 6 hours on average. Two members were not able to attend all 10 meetings due to other important business obligations.

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

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 Annual General Meeting (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 [Organizational Regulations](#).

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

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

The 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 2021, the key topics of the FAC included, amongst others, internal and external financial reporting, Covid-19 business continuity, external audit, M&A, controlling, compliance and risk management matters. The FAC met 5 times for an average meeting length of approximately 4 hours with all members in attendance. 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 "whistleblower" 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 [Organizational Regulations](#). In March 2021, the Remuneration Committee was renamed "Human Resources and Compensation Committee" following its assumption of additional duties. Its new tasks are specified in the 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 [Organizational Regulations](#). The Board of Directors issues a [Human Resources & Compensation Committee Charter](#) which governs the organisation of the HRCC.

The key tasks of the HRCC are:

- Presenting motions to the Board of Directors in view of the next Ordinary Annual General Meeting of shareholders with respect to the aggregate amount of remuneration of the BOD and of the Executive Management Board (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 Annual General Meeting with respect to the aggregate amount of remuneration of the members of the BOD and the members of the Executive Management Board;
  - Assisting the BOD in setting the conditions for the actual remuneration of the members of the Board and of the Executive Management Board in accordance with article 25 of the [Articles of Association](#), as well as advising the Board in the review and approval of general compensation and benefit policies, including any long-term incentive plans;
  - Preparing and assessing the principles of remuneration of the company and presenting corresponding motions to the 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 2021, the key topics of the Human Resources & Compensation Committee included, amongst others, 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 meetings of approximately two hours on average. 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 [Organizational 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 [Organizational Regulations](#). The Board of Directors 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 2021, the key topics of the SIC included mainly, the identification, review and assessment of M&A opportunities that are in-line with the defined long-term growth strategy of the company. The SIC met on average six times for sessions between 1 and 6 hours. The chairperson of the SIC reports at every Board meeting on the SIC activities and findings.

### 3.5.3 Working methods of the Board of Directors and its committees

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

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

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

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

The chairpersons of the Finance & Audit Committee (FAC), the Human Resources & Compensation Committee (HRCC) and the Strategy & Innovation Committee (SIC) report at each Board meeting about matters, which were discussed and resolved in their respective committee meetings.

The Chief Executive Officer (CEO) is usually invited to attend the meetings of the Board of Directors in an advisory capacity. However, the Board of Directors regularly holds meetings or parts of their meetings without the participation of the 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 Human Resources & Compensation Committee at least three times a year and the SIC at least four times a year.

### Attendance at board and committee meetings in 2021

The following table shows the number of board meetings in the reporting period per committee. The list above 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 in 2021 were held virtually.

Name	Full Board meetings	Finance & audit committee (FAC)	Human Resources & Compensation Committee (HRCC)	Strategy & Innovation Committee (SIC)	Total board meetings
Marco Gadola	10	1	3	5	22
Dr. h.c. Thomas Straumann	10	1	1	4	16
Dominik Ellenrieder	9		4	6	19
Willi Miesch	10	-	1	6	17
Dr. Jürg Greuter	10	-	2	-	12
Dr. med. Daniel B. Herren	8	-	2	6	16
Roland Hess	10	5	-	-	15
Damien Tappy	10	5	-	3	15

Note: The change of the chairman position and the new direction of the HRCC led to various changes in the committee composition. Vice President Dr. h.c. Thomas Straumann is a new member of the Strategy & Innovation Committee; Damien Tappy and Dr. Daniel B. Herren replaced Willi Miesch and Dr. Jürg Greuter in the HRCC.

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 Definition of areas of responsibility

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

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

Key responsibilities and tasks of the Board of Directors are:

- Overall management of the company and issuance of all necessary directives in this respect;
- Determining the organization, in particular adopting and amending the present [Organizational Regulations](#) as well as deciding on the setting up and dissolution of branches and offices;
- Organizing the accounting, financial planning and financial control, supervising and assessing the risks;
- Organizing the risk control and the risk assessment systems;
- Appointing, supervising and dismissing the persons entrusted with the management and the representation of the company and regulating the signature powers;
- Adopting and amending guidelines namely on disclosure of shareholdings, management transactions, trading in own shares, insider information and market manipulation, ad hoc publicity, general stock exchange disclosure and reporting duties, as well as code of ethics and business conduct;
- Taking note of the Chief Executive Officer's and the external auditors' reports;
- Issuing the Annual Reports, as well as preparing the General Meetings of the shareholders and implementing the resolutions of the General Meetings of the shareholders;
- Notifying the court in the event of over-indebtedness;
- Based on the proposal of the HRCC, approving the remuneration report and deciding on the proposals on the aggregate amount of remuneration of the members of the Board of Directors and the members of the Executive Management Board to be submitted to the general meeting of the shareholders;
- Setting the conditions of the remuneration of the members of the Board of Directors and of the Executive Management Board in the form of equity securities, conversion rights and option rights in accordance with article 30 and article 31 of the Articles of Association, as well as reviewing and approving the general compensation and benefit policies including any long-term incentive compensation or equity plans and the allocation of benefits under such plans;
- Examining the independence of the external auditors based on the preliminary work made in this respect by the 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 Board of Directors, its committees and members.

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

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

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

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

Financial statements are submitted quarterly to and reviewed by the 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 Board of Directors.

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

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

### 3.8 Risk management in the Group

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

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

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

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

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

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

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

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

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

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

## 4. Executive Management Board



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

### 4.1 Members of the Executive Management Board (EMB)

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

Name	Born	Nationality	Position	In position since
Dr. Christoph Brönnimann	1966	Swiss	Chief Executive Officer	2019
Dr. Dirk Kirsten	1968	German & Swiss	Chief Financial Officer	2021
Axel Maltzen	1969	German	Chief Production Officer	2014
Anthony Durieux-Menage	1974	France	Chief Human Resources Officer	2019
Lisa C. Thompson	1957	US	President North America	2020
Mareike Loch	1970	German	Vice President EMEA	2020
Manuel Schaer	1970	Swiss	Chief Technology Officer	2020

There was one change within the EMB during the year under review. The Board of Directors has appointed Dirk Kirsten as new Chief Financial Officer and Member of the EMB in December 2021. He joined the firm in March 2021 and has succeeded Dominique Leutwyler, who has decided to leave the company after 20 years in office.

**Dr. Christoph Brönnimann****Chief Executive Officer**

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

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

**Dr. Dirk Kirsten****Chief Financial Officer**

**Career highlights:** He joined Medartis in March 2021. Over the course of his long-dated carrier Dr. Dirk Kirsten 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 lead 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.

**Axel Maltzen****Chief Production Officer**

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

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

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

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

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

#### Lisa C. Thompson

#### President North America

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

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

#### Mareike Loch

#### Vice President EMEA

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

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

#### Manuel Schaar

#### Chief Technology Officer

**Career highlights:** At Medartis AG since November 2020. He joined Medartis coming from DePuy Synthes Johnson & Johnson, where he held various positions with increasing responsibilities over the past 23 years. Most recently he was a Senior Director in the EU MDR Program Management Office. 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.

## 4.2 Other activities and vested interests

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

## 4.3 Permitted other activities pursuant to OaEC

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

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

Not subject to the above restrictions are:

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

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

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

## 4.4 Management contracts

There are no management or service contracts with third parties.

# 5. Compensation, shareholdings and loans

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

# 6. Shareholders' participation rights

## 6.1 Voting rights restrictions and representation

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

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

## 6.4 Inclusion of items on the agenda

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

No resolutions may be passed on motions relating to items not duly announced, with the exception of motions to convene an extraordinary shareholders' meeting, to conduct a special audit and to elect an auditor at the request of a shareholder. No prior notice is required for motions relating to the items on the agenda and for negotiations without a resolution.

## 6.5 Entries in the share register

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

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

# 7. Changes of control and defense measures

## 7.1 Duty to make an offer

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

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

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

## 7.2 Clauses on changes of control

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

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

# 8. Auditors

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

Ernst & Young AG have been appointed as Group and statutory auditors of the company at the 2021 General Meeting. The 'auditor in charge' has been in this function since 2018. The shareholders re-elect the auditors on an annual basis at the General Meeting.

## 8.2 Auditing fees

The total auditing fees charged by the audit firm in the year 2021 for the audit of the financial statement were TCHF 225.7 (2020: TCHF 219.0).

## 8.3 Additional (non-audit related) fees

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

## 8.4 Information instruments pertaining to the external audit

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

## 9. Information policy

Medartis is committed to 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 quarter of each year. At the Annual General Meeting (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 information about the respective M&A, partnership or financial transaction.

The CEO, CFO and Corporate Communications are responsible for communicating with investors and representatives of the financial community, media and other stakeholders. In addition to the publication of results and the Annual General Meeting, 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. If you are interested to meet with company representatives please use the respective contact information at the end of the page.

Currently the following banks / sell-side analysts have a research coverage of Medartis:

Bryan Garnier & Co.	Dylan van Haaften, London	+44 207 332 2545 / +44 759 045 2695
Credit Suisse	Christoph Gretler, Zurich	+41 44 333 79 44
Octavian	Laura Pfeifer-Rossi, Zurich	+41 44 520 15 88
ZKB	Edouard Riva, Zurich	+41 44 292 20 05

To stay up to date, the company offers for retail and institutional investors a media release subscription service on its homepage and takes care to ensure 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. The company advises against relying on past publications for current information.

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.



KeriMedical TOUCH® Prosthesis

# 2021 | Remuneration Report

# Contents

1. Basic remuneration principles	71
2. Remuneration governance and processes	72
3. Compensation architecture and elements	74
4. Actual remuneration for the reported year	78
5. Report of the statutory auditor on the remuneration report	83

# Remuneration report

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

## 1. Basic remuneration principles

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

- Board of Directors (Art. 30): The remuneration of the members of the Board of Directors (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.
- Executive Management Board (Art. 31): The remuneration of the Executive Management Board (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 Annual General Meeting (Art. 16): The Annual General Meeting approves annually, on a binding basis and at the request of the Board of Directors, the aggregate amounts of the fixed remuneration of the Board of Directors for the period up to the next Annual General Meeting, and of the Executive Management Board for the next full financial year following the year of the Annual General Meeting. The General Meeting further approves annually the total amount of variable remuneration elements (short-term and long-term) for the Executive Management Board for the current financial year in a binding and separate manner.
- Additional amount for newly appointed members of the Executive Management Board (Art. 32): Should new members of the EMB be appointed after the resolution of the Annual General Meeting, an additional amount of up to 140% of the latest CEO total compensation in case of a new CEO appointment, and/or up to 140% of the latest average group executive's total compensation in case of appointment of other new members of the Executive Management Board, may be granted according to article 32 of the Articles of Association. In addition, and based on the same article, buy-out awards in the amount of up to CHF 1'000'000 to a newly appointed CEO and/or up to CHF 500'000 for other newly appointed members of the EMB may be granted in order to compensate the newly appointed executives for the loss of deferred compensation elements with their previous employer. The Annual General Meeting does not vote on the additional amount used according to article 32 of the Articles of Association.
- No loans, credits, additional pension benefits (Art. 33): Members of the 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 Board of Directors.

### **Duties and Responsibilities**

According to the Human Resources and Compensation Committee Charter (Art. 3) and the Articles of Association of Medartis Holding AG (Art. 27), the Human Resources and Compensation Committee assists the full Board of Directors in the following tasks:

#### Annual General Meeting

- (a) Presenting motions to the BOD in view of the next ordinary Annual General Meeting A(GM) 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 Annual General Meeting;
- (c) Implementing the resolutions passed by the Annual General Meeting 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 Annual General Meeting;

#### 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 development
  - performance management
  - company 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 Human Resources and Compensation Committee 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 Human Resources and Compensation Committee may request the services of independent advisors and experts. Details on the constitution of the BOD and of the Human Resources and Compensation Committee, as well as regarding further details such as, for example, maximum number of external mandates, can be found in Medartis' corporate governance report.

The BOD or the Human Resources and Compensation Committee 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 Human Resources and Compensation Committee recommends, and the BOD determines, on an annual basis, the amount of the remuneration of the individual members of the Board of Directors, including its Chairman, subject to and within the limits of the maximum total amount approved by the Annual General Meeting. All decisions are subject to Medartis' conflict of interest policy as put forward in the Organizational Regulations (Art. 35).

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

The Human Resources and Compensation Committee 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 Human Resources and Compensation Committee 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 Human Resources and Compensation Committee unless invited to do so, and shall not be entitled to vote.

The Human Resources and Compensation Committee reviews the compensation package of the members of the EMB annually and proposes to the Board of Directors any adjustments. As a base for this work the Human Resources and Compensation Committee 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
- The Mercer Total Remuneration Survey for Executive members of mid-size companies
- The Statistics from HCM International Ltd. Based on 53 smaller mid-caps Swiss companies of the SPI not included in the SMI or SMIM with a market capitalization between CHF 1.1 and 6.8 billion.

As mentioned above, the Human Resources and Compensation Committee has decided to bring in external consultants for certain remuneration issues matters. Since 2018, Seematter & Sterchi Incentive Plans AG (SSIP), a company specialized in incentive plan design and international implementation, has been appointed to advise on the redesign and international roll-out of the share-based compensation elements.

As per article 23 para. 1 of the Organizational Regulations, the discussions of the Human Resources and Compensation Committee 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 Human Resources and Compensation Committee.

Decisions of the Human Resources and Compensation Committees and proposals to the Board of Directors can also be made by way of approval of a written resolution circulated to the members of the Human Resources and Compensation Committee. Article 12 of the Organizational Regulations shall apply by analogy.

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

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

## 3. Compensation architecture and elements

### 3.1 Board of Directors (BOD)

For their non-executive services in the Board, members of the BOD 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, and there are no additional meeting fees or for BOD memberships. This ensures that the Board of Directors remains independent while exercising its supervisory duties towards the EMB. Fixed board fees are paid in cash and/or in Restricted Shares. 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 2021, no BOD member held an executive function.

Marco Gadola has been elected as Chairman of the Board of Directors at the Annual General Meeting on 23 April 2021. At the same occasion, Dr. h.c. Thomas Straumann has been elected as Vice Chairman of the Board of Directors. All other current members of the Board of Directors have been re-elected. Here after are described the roles and responsibilities of the different Board of Directors members:

**Board Structure Medartis Holding AG as of Annual General Meeting 2021:**

<b>Board of Directors (8 Members)</b>		
Chairman: Marco Gadola Vice Chairman: Dr. h. c. Thomas Straumann Members: Dominik Ellenrieder, Dr. Jürg Greuter, Dr. med. Daniel B. Herren, Roland Hess, Willi Miesch, Damien Tappy		
<b>Finance &amp; Audit Committee</b>	<b>HR &amp; Compensation Committee</b>	<b>Strategy &amp; Innovation Committee</b>
Chairman: Roland Hess Members: Damien Tappy	Chairman: Dominik Ellenrieder Members: Dr. med. Daniel B. Herren Damien Tappy	Chairman: Willi Miesch Members: Dominik Ellenrieder Dr. med. Daniel B. Herren Dr. h. c. Thomas Straumann
<b>Focus</b>	<b>Focus</b>	<b>Focus</b>
Financial Health Risk Management Legal & Compliance M&A and Alliances (Legal and Agreements)	Nomination Compensation Human Capital Culture	Growth initiatives and growth management Innovation Technology M&A

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

Unless otherwise determined by the Board, the allocation date shall be within 30 days from the Annual General Meeting at which the compensation to the Board of Directors for the respective period was approved.

Immediately before the allocation date, the equivalent of the Board fees that a member of the Board of Directors 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 Board of Directors 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 Annual General Meeting that triggers the allocation date:

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

The 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 Annual General Meeting 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 Board of Directors may be subject to VAT or statutory social security contributions.

## 3.2 Executive Management Board (EMB)

### a. Overview

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

During the year 2021, one change to the Executive Management Board was communicated. Dirk Kirsten was appointed as CFO and succeeded Dominique Leutwyler in March 2021.

There were no relevant changes to the remuneration structure for the Executive Management Board in 2021. 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 2020, this range was between 21% and 40%. The base salaries as well as the STI target value is determined individually for each member of the Executive Management Board and is reviewed in a benchmarking process once per year, considering peer companies and benchmarks.

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

- 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.

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 * 1/5)
OPEX	60	50% of net sales	62	49.6% (62/125)	+100.8% (50/49.6)	+116% (100% + 0.8 * 1/5)
EBITDA	15	12.5% of net sales	16	12.8% (16/125)	+102.4% (12.8/12.5)	+148% (100% + 2.4 * 1/5)

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

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

#### d. Long-term incentive (LTI)

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

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

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

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

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

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

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

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

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

The LTI grant amounts for 2021 will be allocated to Executive Management Board members following the Annual General Meeting of 2022. The LTI compensation amount disclosed in the audited tables in section 4 show the allocated LTI grant amount for 2021.

As of 2021, Medartis implemented an additional compensation element:

- "Employee Share Purchase Plan for STI" (ESPP-STI): Members of the Executive Management Board and eligible employees of the headquarters have the possibility to invest all or part of their STI payout in Medartis shares with a discount of 25% and subject to a blocking period of 2 years. Similar to the LTI plan described before, the number of shares is calculated by converting the invested amount by dividing it by a share value that equals 75% of the volume-weighted average price of a share over a period of 20 trading days ending the last trading day before the allocation date.

In 2021, the EMB members were restricted to participate in the ESPP-STI plan due to an insider blocking period. The Board of Directors has addressed this issue and set a new trading window in 2022 for all affected employees. 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 plans 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 Board of Directors, by capital increase, treasury shares or purchase of shares in the market. Further details on conditional capital are set forth in section 2.2 of the Corporate Governance report.

#### e. Other elements and comments

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

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

Each 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:

- the actual compensation paid to the BOD for the period between Annual General Meeting 2021 and 2022;
- the actual compensation paid to the EMB for 2021;
- other compensation-related information under the OaEC;
- a general pay-for-performance review;
- comments on the alignment between paid and pre-approved amounts; and
- information on shareholdings of members of the Board of Directors and of the Executive Management Board.

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

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

## a) Remuneration of the Board of Directors

The below table shows the compensation paid to members of the Board of Directors for the period between the Annual General Meeting 2021 and the Annual General Meeting 2022.

### Board of Directors compensation (audited table):

	Fixed board fee (cash)	Social security contributions	Restricted Shares	Share price discount effect*	Total
<b>Marco Gadola</b> Chairman of the Board	0 CHF <i>0 CHF</i>	40'611 CHF <i>6'573 CHF</i>	500'000 CHF <i>73'333 CHF</i>	120'528 CHF <i>20'325 CHF</i>	661'138 CHF <i>100'231 CHF</i>
<b>Thomas Straumann</b> Vice-Chairman of the Board	228'078 CHF <i>387'933 CHF</i>	64'216 CHF <i>132'209 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	292'293 CHF <i>520'142 CHF</i>
<b>Willi Miesch</b> Member of the Board Chairman of the Strategy & Innovation Committee	150'000 CHF <i>110'000 CHF</i>	11'678 CHF <i>15'936 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	161'678 CHF <i>125'936 CHF</i>
<b>Dominik Ellenrieder</b> Member of the Board Chairman of the Human Resources & Remuneration Committee Member of the Strategy & Innovation Committee	150'000 CHF <i>201'667 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	150'000 CHF <i>201'667 CHF</i>
<b>Roland Hess</b> Member of the Board Chairman of the Finance & Audit Committee	112'500 CHF <i>55'000 CHF</i>	9'173 CHF <i>6'796 CHF</i>	37'500 CHF <i>55'000 CHF</i>	8'973 CHF <i>15'254 CHF</i>	168'145 CHF <i>132'050 CHF</i>
<b>Jürg Greuter</b> Member of the Board	100'000 CHF <i>73'333 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	100'000 CHF <i>73'333 CHF</i>
<b>Daniel Herren</b> Member of the Board Member of the Strategy & Innovation Committee Member of the Human Resources & Remuneration Committee	75'000 CHF <i>55'000 CHF</i>	7'991 CHF <i>5'921 CHF</i>	25'000 CHF <i>18'333 CHF</i>	5'958 CHF <i>5'072 CHF</i>	113'949 CHF <i>84'326 CHF</i>
<b>Damien Tappy</b> Member of the Board Member of the Human Resources & Remuneration Committee Member of the Finance & Audit Committee	100'000 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>73'333 CHF</i>	0 CHF <i>20'325 CHF</i>	100'000 CHF <i>93'658 CHF</i>
<b>Total all members</b>	<b>915'578 CHF</b> <i>882'933 CHF</i>	<b>133'668 CHF</b> <i>167'435 CHF</i>	<b>562'500 CHF</b> <i>219'999 CHF</i>	<b>135'458 CHF</b> <i>60'976 CHF</i>	<b>1'747'203 CHF</b> <i>1'331'343 CHF</i>

\* 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 Annual General Meeting 2020 and the Annual General Meeting 2021.

### 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 24 March 2021 - 22 April 2021 in-line with the Restricted Share Plan for the Board.
- For this reporting period, the effect of the Restricted Share Plan for the Board are included in this table – the previous reporting period has been updated accordingly.
- The main reason why the remuneration of the Board of Directors is higher in 2021 compared to 2020 is their waiver of 40% of their fees between May and December 2020 in order to participate to the cost-control efforts due to the impact of the Covid-19 pandemic.

## b) Remuneration of the Executive Management Board

The below table shows the compensation paid to the CEO and other members of the EMB for 2021 and 2020. The EMB consists of the CEO and six additional EMB members. Dirk Kirsten joined the EMB as CFO in March. All other members have been members of the EMB during the entire period.

For the two withdrawals from the EMB (Dominique Leutwyler, former CFO, and Thomas Tribelhorn, former CTO), the compensation paid during their respective notice period are included in the table underneath. Any further compensation paid during the remaining notice period will be reported in the 2022 Remuneration Report.

### Executive Management Board compensation (audited table):

	Fixed compensation	Variable compensation in cash	Variable compensation in equity	Indirect compensation	Total
	Fixed base salary	Annual short-term incentive (STI)	Long-term incentive (LTI)	Social security contributions and fringe benefits	
Christoph Brönnimann CEO	500'000 CHF <i>466'667 CHF</i>	750'000 CHF <i>422'325 CHF</i>	948'547 CHF <i>400'000 CHF</i>	351'775 CHF <i>314'948 CHF</i>	2'550'322 CHF <i>1'603'940 CHF</i>
Other members of the Executive Management Board <sup>1)</sup>	2'027'652 CHF <i>1'624'104 CHF</i>	1'236'779 CHF <i>462'432 CHF</i>	573'352 CHF <i>468'834 CHF</i>	945'445 CHF <i>740'027 CHF</i>	4'783'228 CHF <i>3'295'397 CHF</i>
<b>Total all members of the Executive Management Board (incl. CEO)</b>	<b>2'527'652 CHF</b> <i>2'090'771 CHF</i>	<b>1'986'779 CHF</b> <i>884'757 CHF</i>	<b>1'521'899 CHF</b> <i>868'834 CHF</i>	<b>1'297'220 CHF</b> <i>1'054'975 CHF</i>	<b>7'333'550 CHF</b> <i>4'899'337 CHF</i>

1) Including compensation for two former EMB members  
Values in italics represent data for the year 2020.

### Comments:

- "Fixed base salary": Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Annual short-term incentive (STI)": Amounts based on the performance in 2021, payable in 2022. 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 2021 (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 2021, the LTI part of the CEO does include the amount related to his 2021 part of his buy-out award. The mechanism of the buy-out award has been described in the 2019 remuneration report.
- "Social security contributions and fringe benefits": Company contributions to social security and occupational pension schemes, as far as applicable. This column further includes the value of fringe benefits, consisting of company car private use (or car allowance), family allowance (if applicable) or seniority gifts.

## 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 Board of Directors and Executive Management Board. No such loans or credits were outstanding at the balance sheet date.

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

One notice period of more than six months has been agreed with one of the EMB members and a buy-out award has been granted to another one. This buy-out award will be paid out in Medartis shares in the form of Restricted Share Units ("RSUs"). The number of RSUs allocated is based on the average share price of the 1<sup>st</sup> 5 trading days of Dirk Kirsten's employment contract (1-5 March 2021) using the VWAP methodology.

Allocation will be done according to the following 3-years (36 months) mechanism:

- 1st allocation of RSUs: 1/3 on 31th of May 2021
- 2nd allocation of RSUs: 1/3 on 31th of May 2022
- 3rd allocation of RSUs: 1/3 on 31th of May 2023

The RSUs will be converted into Restricted Shares after a 1-year vesting period following the allocation.

Restricted Shares will remain blocked for another 1-year period following the vesting.

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

In 2021, the weightings for the different metrics for the annual short-term incentive of members of the Executive Management Board have been:

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

The 2021 achievements are:

2021 achievements / payouts	Company Net Sales (achievement/payout)	Company OPEX (achievement / payout)	Company EBITDA (achievement/payout)	Regional Net Sales (achievement/payout)	Total STI payout* (capped at 200%)
CEO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CFO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CTO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CHRO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CPO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
VP EMEA	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	106.34%/226.9%	200%
President North America	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	97.75%/55.0%	130.7%

\* The STI payout level in 2020 was at 112.6% for CEO, CFO, CTO, CPO and CHRO and at 56.3% for VP EMEA and President North America.

Consequently and in total, the 2021 STI payout to members of the EMB (excl. CEO) equals CHF 1'236'779 (previous year CHF 462'432) as stated in the table above. As a percentage of the fixed (base) salary, this represents 61% (previous year: 28%). For the CEO, the STI payout of CHF 750'000 (previous year: CHF 422'325) represents 150% of the base salary (previous year: 90%).

In 2021, the grant value of restricted shares under the LTI was CHF 573'352 (previous year CHF 468'834) for the entire EMB (excl. CEO) and CHF 948'547 for the CEO (previous year: CHF 400'000).

Combining the STI and the LTI and excluding the buy-out award of the CEO, his total variable compensation for 2021 amounted to 250% of his base salary (previous year: 176%). This is the total pay mix for the regular compensation elements. The aggregate variable compensation (STI and LTI) for 2021 represents 89% (previous year: 57%) of the fixed base salary for the entire EMB (excl. CEO). This is the total pay mix for the regular compensation elements.

The main reasons for the difference of the total remuneration of Executive Management Board members between 2021 and 2020 are :

- in 2020, the Executive Management Board decided to wave 10% of their fixed base salary between May and December and 20% of their 2020 long-term incentive compensation in order to participate to the cost-control efforts due to the impact of the Covid-19 pandemic
- the higher level of achievement of STI targets in 2021 compared to 2020
- the 2021 buy-out award amount for the CEO is included in the LTI.

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

At the Annual General Meeting 2020 and 2021 the shareholders approved, with binding effect and in separate votes, the following maximum aggregate amounts:

Compensation to the BOD for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022:	CHF 1'802'050
Fixed base salary to the EMB (incl. CEO) for the business year 2021:	CHF 4'241'870
Variable compensation to the EMB (incl. CEO) for the business year 2021:	CHF 4'480'540

#### 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 2021 financial year amounted to CHF 1'747'203 compared to CHF 1'270'367 in 2020. This is within the limits of the pre-approved maximum amounts at the Annual General meetings (CHF 1'802'050).

#### Fixed base salary 2021 for the EMB:

The total amount approved by the Annual General Meeting in 2020 for the fixed base salary of the EMB for the period from 1st January 2021 to 31st December 2021 amounts to CHF 4'241'870. The fixed base salaries paid to the member of the EMB amounted to CHF 3'409'119, which is within the amount approved by the shareholders at the Annual General Meetings.

#### Variable compensation 2021 for the EMB:

Variable compensation includes the annual short-term incentive (STI) and the long-term incentive (LTI). The total aggregate amount of those two elements for 2021 equalled CHF 3'924'430 (previous year: CHF 2'088'013). This is below the maximum amount of CHF 4'480'540 approved by the Medartis shareholders.

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

See attachment to the 2021 financial statements of Medartis Holding AG.



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To the General Meeting of  
**Medartis Holding AG, Basel**

Basle, 4 March 2022

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Medartis Holding AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 79 to 82 of the remuneration report.



### Board of Directors' responsibility

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



### Auditor's responsibility

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

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

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



### Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of Medartis Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Elisa Alfieri  
Licensed audit expert  
(Auditor in charge)

Daniel Zaugg  
Licensed audit expert



APTUS CMC-I Fusion Plate

# 2021 | Financial Report

# Content

Medartis Group Consolidated Financial Statements	<b>87</b>
Consolidated Balance Sheet	<b>87</b>
Consolidated Income Statement	<b>88</b>
Consolidated Statement of Comprehensive Income	<b>89</b>
Consolidated Cash Flow Statement	<b>90</b>
Consolidated Statement of Changes in Equity	<b>91</b>
Notes to the Medartis Group Consolidated Financial Statements	<b>92</b>
Report of the Statutory Auditor on the Consolidated Financial Statements	<b>128</b>
Financial Statements of Medartis Holding AG, Basel	<b>133</b>
Notes to the financial statements	<b>136</b>
Report of the statutory auditor on the financial statements	<b>141</b>

# Medartis Group Consolidated Financial Statements

## Consolidated Balance Sheet

(at 31 December 2021 and 2020)

(CHF)	Notes	31 December 2021	31 December 2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		82'641'879	82'734'816
Accounts receivable trade	7.1	32'499'440	24'189'296
Accounts receivable other	7.1	3'818'135	2'982'861
Income tax receivables		194'212	525'157
Inventories	7.3	54'303'515	49'556'566
Prepaid expenses	7.2	2'025'352	1'116'727
<b>Total current assets</b>		<b>175'482'534</b>	<b>161'105'422</b>
<b>Non-current assets:</b>			
Property, plant and equipment	7.4	40'160'276	41'180'948
Right-of-use assets	7.5	24'395'935	28'341'735
Intangible assets	7.6	11'917'708	11'443'367
Investment in associate	5.2	10'201'289	9'971'838
Financial assets		6'390'066	836'947
Deferred tax assets	6.7	29'632'042	29'911'659
<b>Total non-current assets</b>		<b>122'697'316</b>	<b>121'686'495</b>
<b>Total assets</b>		<b>298'179'849</b>	<b>282'791'917</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Accounts payable trade	7.7	8'239'159	5'732'466
Accounts payable other	7.7	15'686'813	10'392'604
Income tax payables	7.7	426'211	538'576
Accrued expenses	7.7	2'449'013	1'207'619
Current financial debt and other financial liabilities	7.8	4'587'284	4'516'873
Provisions	7.9	3'316'541	3'268'664
<b>Total current liabilities</b>		<b>34'705'021</b>	<b>25'656'801</b>
<b>Non-current liabilities:</b>			
Financial debt and other non-current liabilities	7.11	19'487'539	22'660'263
Provisions	7.9	2'238'861	2'249'391
Employee benefit obligation	7.12	17'739'584	19'148'002
Deferred tax liabilities	6.7	13'505	41'541
<b>Total non-current liabilities</b>		<b>39'479'489</b>	<b>44'099'198</b>
<b>Total liabilities</b>		<b>74'184'510</b>	<b>69'755'999</b>
<b>Shareholder's equity</b>			
Issued share capital	7.10	2'362'873	2'355'629
Retained earnings		-34'129'045	-43'836'194
Capital Reserves		254'197'973	252'451'944
Currency translation adjustment		1'563'538	2'064'540
<b>Total shareholder's equity</b>		<b>223'995'339</b>	<b>213'035'919</b>
<b>Total liabilities and equity</b>		<b>298'179'849</b>	<b>282'791'917</b>

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

## Consolidated Income Statement

(CHF)	Notes	2021	2020 – restated b)
Net sales	6.1	159'880'236	127'645'985
Cost of goods sold		-25'772'744	-21'150'775
<b>Gross profit</b>		<b>134'107'493</b>	<b>106'495'210</b>
Selling and distribution		-77'086'313	-65'470'520
Research and development	6.3	-20'046'443	-16'172'671
General and administration	6.4	-25'960'830	-21'752'825
Share of results of associate	5.2	42'527	32'233
<b>Operating profit</b>		<b>11'056'433</b>	<b>3'131'427</b>
Finance income	6.6	135'310	367'292
Finance expense	6.6	-2'902'114	-6'762'895
<b>Income/ (loss) before taxes</b>		<b>8'289'629</b>	<b>-3'264'177</b>
Income tax expense/income	6.7	-1'451'762	2'320'612
<b>Net income/ (loss)</b>		<b>6'837'867</b>	<b>-943'565</b>
Attributable to:			
Medartis shareholders		6'837'867	-943'565
Earnings per share (CHF):			
Basic earnings per share a)	6.8	0.58	-0.08

a) There is no dilution effect.

b) Corrections in the presentation of commission paid to third party sales agents and group purchasing organisation and early payment discounts, please refer to note 2.3

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

## Consolidated Statement of Comprehensive Income

(CHF)	Notes	2021	2020
Net income/ (loss)		<b>6'837'867</b>	<b>-943'565</b>
Components of other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit post-employment plans	7.12	2'050'206	-2'023'370
Income tax relating to items that will not be reclassified to profit or loss	6.7	-267'347	263'751
		<b>1'782'859</b>	<b>-1'759'619</b>
Items that may be reclassified subsequently to profit or loss:			
Currency translation effects		-508'495	-1'234'520
Share of other comprehensive income of associates accounted for using the equity method	5.2	7'493	-60'430
Income tax relating to items that may be reclassified subsequently to profit or loss		-	156'081
		<b>-501'002</b>	<b>-1'138'868</b>
<b>Total other comprehensive income/ (loss)</b>		<b>1'281'857</b>	<b>-2'898'487</b>
<b>Total comprehensive income/ (loss)</b>		<b>8'119'724</b>	<b>-3'842'052</b>
Attributable to:			
Medartis shareholders		8'119'724	-3'842'052

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

## Consolidated Cash Flow Statement

(for the years ended 31 December 2021 and 2020)

(CHF)	Notes	2021	2020
<b>Net income/ (loss)</b>		<b>6'837'867</b>	<b>-943'565</b>
Adjustments for:			
Income tax income/expense	6.7	1'451'762	-2'320'612
Interest income	6.6	-135'310	-365'291
Interest expenses	6.6	791'151	776'714
Loss on disposal of property, plant and equipment		256'145	460'527
Depreciation and amortization of:			
Property, plant and equipment	6.5	14'574'687	12'901'574
Intangible assets	6.5	1'812'048	2'987'393
Change in provisions and pension obligations		679'135	-723'046
Share based compensation and other non-cash items		1'313'602	2'333'045
Changes in net working capital:			
Inventories	7.3	-4'746'949	-2'396'718
Accounts receivable trade, accounts receivable other, prepaid expenses	7.1 / 7.2	-10'054'043	5'451'289
Accounts payable trade, accounts payable other, accrued expenses	7.7	9'042'296	-5'071'938
Interest received	6.6	135'310	365'291
Income tax paid/received		-963'909	-841'896
<b>Cash flow from operating activity</b>		<b>20'993'791</b>	<b>12'612'767</b>
Cash payments to acquire property, plant and equipment	7.4	-8'022'355	-10'511'075
Proceeds from disposals of property, plant and equipment	7.4	66'337	2'836
Cash payments to acquire intangible assets	7.6	-2'364'462	-2'555'017
Additions/Disposals to financial assets		-5'553'119	204'857
Cash payment to acquire an investment in an associate	5.1.1		-10'000'035
<b>Cash flow used for investing activities</b>		<b>-15'873'599</b>	<b>-22'858'433</b>
Proceeds from capital increases	7.11	681'638	5'524
Repayment current financial debt	7.11	-5'683	-25'454
Repayment of lease liability	7.11	-4'706'192	-3'935'805
Interest paid on lease liability	6.6	-750'037	-774'753
Interest paid	6.6	-41'113	-1'961
<b>Cash flow used for financing activities</b>		<b>-4'821'388</b>	<b>-4'732'449</b>
<b>Net change in cash and cash equivalents</b>		<b>298'804</b>	<b>-14'978'115</b>
Cash and cash equivalents at the beginning of the year (1 January)		82'734'816	99'571'993
Net effect of currency translation on cash and cash equivalents		-391'741	-1'859'062
<b>Cash and cash equivalents at the end of the year (31 December)</b>		<b>82'641'879</b>	<b>82'734'816</b>

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 2021 and 2020)

(CHF)	Attributable to Medartis AG shareholders					Total shareholders' equity
	Share capital	Capital reserves	Currency translation difference	Retained earnings		
<b>1 January 2020</b>	<b>2'350'105</b>	<b>252'451'944</b>	<b>3'203'408</b>	<b>-42'433'846</b>	<b>215'571'611</b>	
Net loss				-943'565	-943'565	
Other comprehensive income/(loss)			-1'138'868	-1'759'619	-2'898'487	
<b>Total comprehensive income/(loss)</b>			<b>-1'138'868</b>	<b>-2'703'184</b>	<b>-3'842'052</b>	
Capital increase	5'524	-			5'524	
Share based compensation				1'300'835	1'300'835	
<b>31 December 2020</b>	<b>2'355'629</b>	<b>252'451'944</b>	<b>2'064'540</b>	<b>-43'836'194</b>	<b>213'035'919</b>	
Net income				6'837'867	6'837'867	
Other comprehensive income/(loss)			-501'002	1'782'859	1'281'857	
<b>Total comprehensive income/(loss)</b>			<b>-501'002</b>	<b>8'620'726</b>	<b>8'119'724</b>	
Capital increase	7'244	1'746'030		-1'071'636	681'638	
Share based compensation				2'158'059	2'158'059	
<b>31 December 2021</b>	<b>2'362'873</b>	<b>254'197'973</b>	<b>1'563'538</b>	<b>-34'129'045</b>	<b>223'995'339</b>	

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

# Notes to the Medartis Group Consolidated Financial Statements

## 1. Corporate and Group information

### Corporate Information

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

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

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

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

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

### Group information

#### Information about the subsidiaries and associate

Subsidiaries	Share capital	Investment 2021	Investment 2020
Medartis Holding AG, Switzerland (Basel)	CHF 2'362'874	100%	100%
Medartis AG, Switzerland (Basel)	CHF 1'000'000	100%	100%
Mimedis AG, Switzerland (Basel)	CHF 100'000	100%	100%
Medartis GmbH, Germany (Umkirch)	EUR 51'129	100%	100%
Medartis 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%
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 2021	Investment 2020
Keri Medical SA, Switzerland (Geneva)	CHF 4'287'730	25%	25%

There are no material structured entities.

#### The holding company

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

## 2. Basis of preparation of the consolidated financial statements

### 2.1 Basis of preparation

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

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

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

The consolidated financial statements were approved for issue by the Board of Directors on 4 March 2022 and are subject to approval by the Annual General Meeting on 6 April 2022.

#### § Accounting policies

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

### 2.2 Principles of consolidation

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

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

## 2.3 Significant accounting policy changes, judgments and estimates

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

### Corrections in the presentation of commissions paid to third party sales agents and to group purchasing organisations and early payment discounts

As part of a review of the finance processes, Medartis challenged the presentation of commissions paid to certain third party sales agents and group purchasing organisations and concluded that commissions in the amount of CHF 3'622'296 should have been shown under selling and distribution expenses rather than as discounts deducted from net sales.

In this context Medartis management also reviewed the presentation of early payment discounts and concluded that early payment discounts in the amount of CHF 633'377 had been erroneously presented as finance expense rather than as variable consideration and reductions in net sales.

The prior year comparatives have been restated as shown below. These restatements have no effect on the net loss/income.

#### Consolidated Income Statement

(CHF)	Reported	commissions	discounts	Restated
Net sales	124'657'066	3'622'296	-633'377	127'645'985
Cost of goods sold	-21'150'775			-21'150'775
<b>Gross profit</b>	<b>103'506'291</b>			<b>106'495'210</b>
Selling and distribution	-61'848'224	-3'622'296		-65'470'520
Research and development	-16'172'671			-16'172'671
General and administration	-21'752'825			-21'752'825
Share of results of associate	32'233			32'233
<b>Operating profit</b>	<b>3'764'804</b>			<b>3'131'427</b>
Finance income	367'292			367'292
Finance expense	-7'396'272		633'377	-6'762'895
<b>Loss before taxes</b>	<b>-3'264'177</b>			<b>-3'264'177</b>
Income tax income	2'320'612			2'320'612
<b>Net loss</b>	<b>-943'565</b>			<b>-943'565</b>

#### Interim Report 2021

The Board of Directors of Medartis also approved retrospective restatements in the Interim Report 2021 Medartis issued on 17 August 2021. Net sales amount to CHF 75.4 million as of 30 June 2021, instead of CHF 73.6 million. Gross profit amounts to CHF 63.3 million as of 30 June 2021, instead of CHF 61.5 million. Finance expense amounts to CHF -0.7 million as of 30 June 2021, instead of CHF -1.0 million.

## 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 6.7 *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 2021 and the comparative period please refer to Note 11.

### **Employee benefits**

#### *General*

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

#### *Pension obligations*

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

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

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

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

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

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

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

## Significant accounting judgments, estimates and assumptions

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

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

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

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

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

Significant estimates and judgments of Medartis Group include:

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

### Expected credit losses

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

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

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

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

#### **Post-employment benefits**

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

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

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

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

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

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

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

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

#### **Deferred tax assets**

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

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

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilized. Medartis currently recognized deferred tax assets for all jurisdictions the company is operating in. At 31 December 2021, Medartis' deferred tax assets are CHF 29.6 million (2020: CHF 29.9 million). Included in this balance are CHF 0.8 million (2020: CHF 1.5 million) tax loss carry forwards. Further details are provided in Note 6.7.

### Uncertain tax positions

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

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

## 2.4 Changes in accounting policies and disclosures

The following new or revised standards and interpretations of the International Accounting Standards Board (IASB), relevant to the Group, were applied for the financial year ending 31 December 2021:

Title	Status	Effective date (annual periods beginning on or after)
Covid-19-Related Rent Concessions beyond June 2021 - Amendment to IFRS 16, 1 April 2021	Mandatory	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Mandatory	1 January 2021

The adoption of these amended standards on 1 January 2021 did not have a significant impact on our consolidated financial statements and is not expected to have a significant impact in future periods.

## 2.5 Issued standards not yet adopted

		Effective for annual periods on, or after	Planned adoption by Medartis
IFRS 3	Reference to the Conceptual Framework	1 January 2022	Financial Year 2022
IAS 16	Property, plant and equipment: Proceeds before Intended Use	1 January 2022	Financial Year 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022	Financial Year 2022
	Annual Improvements to IFRS Standards 2018-2020	1 January 2022	Financial Year 2022
IAS 1	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023	Financial Year 2023
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	1 January 2023	Financial Year 2023

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		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

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

#### Foreign currency translation risk

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

#### Credit risk

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

### Interest rate risks

Interest rate risks arise from changes in interest rates, which have negative repercussions on the Group's asset and earnings situation. Interest rate fluctuations lead to changes in interest income and interest expense on interest-bearing assets and liabilities. Due to the low level of external financing the interest rate risk is immaterial at 31 December 2021 and 2020.

### Liquidity risk

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

(CHF)	Carrying amount 31.12.2021	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 liability	24'074'822	24'074'822	4'587'284	18'081'636	1'405'903
<b>Total</b>	<b>35'925'230</b>	<b>35'925'230</b>	<b>16'437'692</b>	<b>18'081'636</b>	<b>1'405'903</b>
Interest on lease liability			622'271	1'295'030	93'520

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

## 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)	31.12.2021	31.12.2020
Total assets	298'179'849	282'791'917
Equity	223'995'339	213'035'919
<b>Equity ratio</b>	<b>75%</b>	<b>75%</b>

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

### 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 2021 and 2020. 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 2021	Carrying amount (based on measurement basis)				Total
	Amortized cost	Fair value level 1	Fair value level 2	Fair value level 3	
<b>Financial Assets</b>					
Cash and cash equivalents	82'641'879				82'641'879 <sup>1)</sup>
Accounts receivable trade	32'499'440				32'499'440 <sup>1)</sup>
Other non-current financial assets	6'390'066				6'390'066 <sup>1)</sup>
<b>Total</b>	<b>121'531'385</b>				<b>121'531'385</b>
<b>Financial liabilities</b>					
Accounts payable trade	8'239'159				8'239'159 <sup>1)</sup>
Accounts payable other	1'162'236				1'162'236 <sup>1)</sup>
Accrued expenses	2'449'013				2'449'013 <sup>1)</sup>
Current financial debt	4'587'284				4'587'284 <sup>1)</sup>
Non-current financial debt	19'487'539				19'487'539 <sup>1)</sup>
<b>Total</b>	<b>35'925'231</b>				<b>35'925'231</b>

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

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

## 4. Segmental breakdown of key figures for the years ended 31 December 2021 and 2020

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.

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 <sup>1)</sup>	75'920'813	4'119'527	3'673'733	2'961'136	86'675'208

2020 (CHF) - restated	EMEA	APAC	LATAM	North America	Total
Net sales <sup>2)</sup>	68'012'830	25'414'874	9'707'626	24'510'656	127'645'985
Non-current assets <sup>1)</sup>	80'185'929	4'092'677	4'498'295	2'221'417	90'998'318

(CHF)	2021	2020 - restated <sup>2)</sup>
Upper Extremities	112'049'373	91'573'376
Lower Extremities	24'632'226	19'119'864
CMF and Others	23'198'638	16'952'745
<b>Total</b>	<b>159'880'236</b>	<b>127'645'985</b>

<sup>1)</sup> Property, plant and equipment, right of use assets, intangible assets and investment in associate

<sup>2)</sup> Corrections in the presentation of commission paid to third party sales agents and group purchasing organisation and early payment discounts, please refer to note 2.3

## 5. Significant transactions and events

### 5.1 Business combinations, acquisition of investment in associate and divestments

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

#### **Keri Medical SA**

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

#### **§ 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 25% in the entity. It is a private entity that is not listed on any public exchange. Management has assessed the level of influence that the Group has on Keri Medical SA and determined that it has significant influence and therefore applies the equity method of accounting for associated companies.

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

(CHF)	2021	2020
Current assets	14'502'857	16'298'427
Non-current assets	14'548'591	12'807'206
Current liabilities	-8'518'431	-11'014'569
Non-current liabilities	-4'129'773	-2'605'626
<b>Net assets</b>	<b>16'403'244</b>	<b>15'485'437</b>

**Reconciliation to carrying amount**

Opening net assets	15'485'437	15'598'224
Result for the period	887'835	128'931
Other comprehensive income	29'972	-241'718
<b>Closing net assets at 31 December</b>	<b>16'403'244</b>	<b>15'485'437</b>
Group's share in %	25.0	25.0
Group's share in CHF	4'100'811	3'871'359
Goodwill	6'100'479	6'100'479
<b>Carrying amount</b>	<b>10'201'290</b>	<b>9'971'838</b>

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

(CHF)	2021	2020
Revenue	14'595'547	452'533
Result from continuing operations	887'835	128'931
<b>Profit for the period</b>	<b>887'835</b>	<b>128'931</b>
Other comprehensive income	29'972	-241'718
<b>Total comprehensive income</b>	<b>917'807</b>	<b>-112'787</b>

Group's share of profit for the period before elimination	221'959	32'233
Elimination of not realized profit on sale by Keri Medical	-179'432	
<b>Group's share of profit for the period after elimination</b>	<b>42'527</b>	<b>32'233</b>
<b>Group's share of OCI for the period</b>	<b>7'493</b>	<b>-60'430</b>

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

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

### 5.3 Related party disclosures

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

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

## 5.4 Events after the reporting period

On March 4, 2022 the Group's Board of Directors decided to acquire 100% of the privately held Nextremity Solutions Inc. ("NSI"). NSI is headquartered in Warsaw, Indiana in the US. NSI is a leading research and development company dedicated to the North American extremity market and with own manufacturing plant. The company currently employs 85 people.

The purchase price amounts up to USD 70 million, of which only USD 40 million are to be paid at closing of the transaction, whereas up to USD 30 million are payable against delivery of product launches and medium term top line performance. The transaction is expected to close until April 2022.

## 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 2021, and 2020 are as follows:

(CHF)	2021	2020 – restated <sup>1)</sup>
Net proceeds of deliveries of implants	159'290'256	127'376'033
Net proceeds of services	589'980	269'952
<b>Total revenue</b>	<b>159'880'236</b>	<b>127'645'985</b>

1) Corrections in the presentation of commission paid to third party sales agents and group purchasing organisation and early payment discounts, please refer to note 2.3

#### § 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 2021 and 2020 are as follows:

(CHF)	2021	2020
Wages and salaries	-55'773'824	-47'825'303 <sup>1)</sup>
Pensions	-4'003'601	-3'469'980
Share-based payments	-1'465'765	-1'306'358
Bonus payments	-7'836'476	-3'954'052
Social security costs	-9'905'969	-8'480'946
Other personnel costs	-2'011'729	-1'607'731
<b>Total personnel costs</b>	<b>-80'997'365</b>	<b>-66'644'370</b>

Personnel costs have been recognized in the consolidated income statement:

Cost of goods sold	-7'470'178	-6'457'701
Selling and distribution	-48'306'568	-39'888'905
Research and development	-11'043'109	-9'807'516
General and administration	-14'177'510	-10'490'248
<b>Total personnel costs</b>	<b>-80'997'365</b>	<b>-66'644'370</b>

Average number of employees during the year 637 604

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

### § 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 2021, this was CHF 20.0 million (2020: CHF 16.2 million), and they are recognized in research and development expenses.

(CHF)	2021	2020
<b>Research and development</b>		
General	-9'084'148	-6'607'029
Testing	-959'639	-979'559
Prototype	-3'152'810	-3'123'161
Quality	-4'303'639	-3'401'950
IBRA (International Bone Research Association)	-2'546'207	-2'060'973
<b>Total Research and development costs</b>	<b>-20'046'443</b>	<b>-16'172'671</b>

## 6.4 General and administration expenses

General and administration expenses for the years ended 31 December 2021 and 2020 are as follows:

(CHF)	2021	2020
General administration	-5'249'467	-4'403'222
Human Resources administration	-3'288'444	-2'302'114
Financial and IT administration	-4'329'631	-4'303'946
Building administration	-2'989'148	-2'520'773
Management administration	-7'719'637	-6'058'139
Subsidiary administration	-2'384'503	-2'164'630
<b>Total administrative expenses</b>	<b>-25'960'830</b>	<b>-21'752'825</b>

General and administration expenses include share-based payments expenses amounting to CHF 1.6 million in 2021 (2020: CHF 1.2 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 2021 and 2020 are as follows:

(CHF)	2021	2020
<b>Depreciation of property, plant and equipment and right-of-use asset</b>		
Cost of goods sold	-3'818'405	-3'251'294
Research and development	-978'290	-936'295
Selling and distribution	-6'361'197	-5'366'801
General and administration	-3'416'795	-3'347'184
<b>Total depreciation and impairment losses</b>	<b>-14'574'687</b>	<b>-12'901'574</b>

(CHF)	2021	2020
<b>Amortisation of intangible assets</b>		
Cost of goods sold	-33'811	-31'957
Research and development	-1'288'526	-999'814
Selling and distribution	-49'922	-1'400'703
General and administration	-439'789	-554'920
<b>Total amortisation and impairment losses</b>	<b>-1'812'048</b>	<b>-2'987'393</b>

## 6.6 Net Finance income and costs

(CHF)	2021	2020
Finance income from loans and receivables measured at amortized cost:		
Interest income, bank	97'674	193'318
Interest income, loans and receivables	37'636	171'973
Other finance income	0	2'000
<b>Total finance income</b>	<b>135'310</b>	<b>367'292</b>

(CHF)	2021	2020
Finance costs from financial liabilities measured at amortized cost:		
Foreign exchange losses	-1'432'837	-5'391'442
Interest on loans and borrowings	-3'976	-1'961
Interest on lease debt	-750'037	-774'753
Other finance costs	-715'264	-594'739
<b>Total finance expense</b>	<b>-2'902'114</b>	<b>-6'762'895</b>

1) Corrections in the presentation of commission paid to third party sales agents and group purchasing organisation and early payment discounts, please refer to note 2.3

### § 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)	2021	2020
Income taxes from current period	-1'421'983	-882'380
Income taxes from other periods	-55'137	-399
Deferred taxes	25'358	3'203'391
<b>Total income tax income/expense</b>	<b>-1'451'762</b>	<b>2'320'612</b>
<b>Effective income tax rate (in %)</b>	<b>18%</b>	<b>-71%</b>

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)	2021	2020
Profit/ (loss) before tax	8'289'629	-3'264'177
Applicable Group tax rate	13.04%	13.04%
Income tax at the applicable Group tax rate	-1'080'968	425'649
Higher or lower tax rate of subsidiaries in other jurisdiction	7'094'690	3'060'391
Non-deductible expenses	-363'280	-594'849
Additional tax deductions	7'757'542	1'137'221
Effect of changes in tax rates or imposition of new taxes	0	195'721
Prior year adjustments	-55'137	-399
Prior year adjustments deferred tax	26'868	-52'491
Not recognized tax losses / deferred taxes in current year	-7'684'527	-1'074'688
Write-off of deferred tax assets	-7'065'282	-737'370
Other	-81'668	-38'572
<b>Effective income tax income/expense</b>	<b>-1'451'762</b>	<b>2'320'612</b>

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. This is largely offset by new DTAs arising from intercompany profit elimination recorded by other group entities which is included in "Higher or lower tax rate of subsidiaries in other jurisdiction".

(CHF)	2021	2020
At 1 January	17'870'942	10'325'767
Currency translation adjustments	-546'286	-1'709'899
Tax losses and credits arising from current year	7'118'960	9'935'340
Tax losses and credits utilized against current year profits	-1'668'430	-680'267
<b>Total available tax loss carry forwards and tax credits</b>	<b>22'775'185</b>	<b>17'870'942</b>

Deferred tax assets have not been recognized in respect of tax losses of CHF 22.8 million (2020 CHF 9.9 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:

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
<b>Net deferred tax balance at 1 January</b>	<b>-3'578'649</b>	<b>-40'516</b>	<b>26'003'185</b>	<b>1'507'032</b>	<b>5'979'066</b>	<b>29'870'118</b>
(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
<b>Net deferred tax balance at 31 December</b>	<b>-3'437'826</b>	<b>-13'505</b>	<b>26'493'113</b>	<b>820'906</b>	<b>5'755'849</b>	<b>29'618'536</b>
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

2020

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

At 31 December 2021, there was no recognized deferred tax liability (2020: 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)	2021	2020
Net income attributable to shareholders	6'837'867	-943'565
Weighted average number of shares - basic	11'800'696	11'768'942
<b>Basic earnings per share</b>	<b>0.58</b>	<b>-0.08</b>

### § 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 2021 and 2020 are as follows:

(CHF)	2021	2020
<b>Accounts receivable trade</b>	<b>32'499'440</b>	24'189'296
Accounts receivable other, thereof:		
Prepaid machinery	132'894	106'009
Salary prepayments	305'696	154'518
Other	3'379'546	2'722'334
<b>Total accounts receivable other</b>	<b>3'818'135</b>	2'982'861

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

(CHF)	2022	2021
1 January	-1'021'695	-806'725
Additional provision created	91'471	-214'970
<b>31 December</b>	<b>-930'225</b>	-1'021'695

The ageing of trade receivables at 31 December 2021 and 2020 past due, are as follows:

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

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

#### § Accounting policies

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

### 7.2 Prepaid expenses

#### § Accounting policies

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

## 7.3 Inventories

(CHF)	2021	2020
Goods for sale	21'541'524	19'945'821
Sets	24'546'193	21'800'076
Raw materials	715'398	705'043
Semi-finished products	4'993'533	5'059'008
Packaging	49'643	37'458
Work in progress	2'280'985	1'580'417
Goods in transit	176'239	428'743
<b>Total <sup>1)</sup></b>	<b>54'303'515</b>	<b>49'556'566</b>

<sup>1)</sup> Including write-downs

(CHF)	2021	2020
write-down Goods for sale	-963'012	-697'739
write-down Sets	-4'503'173	-3'807'412
write down Raw materials	-211'479	-198'720
<b>Total write-downs</b>	<b>-5'677'664</b>	<b>-4'703'871</b>

### § Accounting policies

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

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

## 7.4 Property, plant and equipment

Reconciliation of beginning and ending balance by classes of assets:

CHF	Machinery	Furniture	Hardware	Vehicles	Sets	Leasehold improvements	Other	Total
<b>Cost or valuation</b>								
At 1 January 2020	22'553'266	4'191'965	4'872'708	1'803'198	33'795'832	29'539'679	547'817	97'304'465
Additions	2'620'092	390'629	725'354	197'285	4'973'207	1'561'919	42'589	10'511'075
Disposals	-7'322	-21'879	-134'691	-117'636	-67'800	-1'505	0	-350'834
Currency translation effects and other	-148'224	-106'318	-154'543	-72'567	-878'372	-22'529	-5'949	-1'388'502
At 31 December 2020	25'017'812	4'454'396	5'308'828	1'810'279	37'822'867	31'077'564	584'457	106'076'204
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	0	0	-1'713'533
Currency translation effects and other	-22'988	-10'452	-34'204	-42'455	-235'218	-25'321	-10'566	-381'204
<b>At 31 December 2021</b>	<b>25'753'101</b>	<b>4'517'048</b>	<b>5'657'674</b>	<b>1'573'367</b>	<b>42'877'991</b>	<b>31'014'401</b>	<b>610'240</b>	<b>112'003'822</b>

**Depreciation and impairment losses**

At 1 January 2020	-14'792'987	-2'831'151	-3'394'361	-1'065'171	-24'350'903	-11'486'175	-354'408	-58'275'156
Depreciation charge	-1'302'165	-255'340	-699'539	-415'955	-3'715'004	-1'368'868	-40'952	-7'797'822
Depreciation on disposals	1'002	14'824	133'225	116'513	45'535	720	0	311'818
Currency translation effects and other	11'784	62'607	67'329	43'199	668'205	9'109	3'672	865'906
<b>At 31 December 2020</b>	<b>-16'082'366</b>	<b>-3'009'060</b>	<b>-3'893'346</b>	<b>-1'321'414</b>	<b>-27'352'167</b>	<b>-12'845'214</b>	<b>-391'687</b>	<b>-64'895'255</b>
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	0	0	1'511'123
Currency translation effects and other	-6'049	152'442	8'305	30'616	249'458	5'205	7'741	447'718
<b>At 31 December 2021</b>	<b>-17'496'801</b>	<b>-3'084'579</b>	<b>-4'714'953</b>	<b>-1'163'642</b>	<b>-30'676'444</b>	<b>-14'277'224</b>	<b>-429'903</b>	<b>-71'843'546</b>

Net book value - 1 January 2020	7'760'279	1'360'814	1'478'347	738'027	9'444'929	18'053'504	193'409	39'029'309
Net book value - 31 December 2020	8'935'445	1'445'336	1'415'482	488'865	10'470'700	18'232'349	192'770	41'180'948
<b>Net book value - 31 December 2021</b>	<b>8'256'300</b>	<b>1'432'469</b>	<b>942'721</b>	<b>409'725</b>	<b>12'201'547</b>	<b>16'737'177</b>	<b>180'337</b>	<b>40'160'276</b>

**§ Accounting policies**

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

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

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

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

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

**7.5 Leases**

(CHF)

Right-of-use assets (ROA)	Office property	Machinery	Vehicles	Total
<b>01 January 2020</b>	<b>23'204'866</b>	<b>4'732'145</b>	<b>713'867</b>	<b>28'650'878</b>
Additions	812'185	3'573'429	324'582	4'710'196
Depreciation expense	-3'332'797	-1'359'621	-411'334	-5'103'752
Currency translation effects	79'000	-	5'413	84'413
<b>31 December 2020</b>	<b>20'763'254</b>	<b>6'945'953</b>	<b>632'528</b>	<b>28'341'735</b>
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
<b>31 December 2021</b>	<b>18'764'204</b>	<b>5'178'500</b>	<b>453'231</b>	<b>24'395'935</b>

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

(CHF)

Profit or loss	2021	2020
Depreciation ROA	-5'667'556	-5'103'752
<b>Interest expense lease liabilities</b>	<b>-750'037</b>	<b>-774'753</b>
Expense: short-term leases	-499'097	-558'818
Variable lease payments	<b>-327'490</b>	46'559

The Group recognized a total cash outflow for leases of CHF 5.5 million in 2021 (2020: CHF 4.7 million). The maturity analysis of lease liabilities is disclosed in Note 3.

## § Accounting policies for lessees

### Right-of-use assets

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

### Lease liabilities

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

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

### Short-term leases and leases of low-value assets

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

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

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

## 7.6 Intangible assets

Reconciliation of beginning and ending balances by classes of assets:

(CHF)	Goodwill	Research & Development	Customer Base	Software	Other	Total
<b>Cost</b>						
At 1 January 2020	3'193'582	4'668'499	4'444'512	8'182'538	181'381	20'670'512
Additions	-	1'479'897	-	1'075'120	-	2'555'017
Retirement and disposals	-	-	-	-	-91'302	-91'302
Currency translation effects	-581'569	-	-	70'571	21'620	-489'378
At 31 December 2020	2'612'013	6'148'396	4'444'512	9'328'229	111'699	22'644'848
Additions	-	1'046'815	-	813'875	503'772 <sup>1)</sup>	2'364'462
Retirement and disposals	-	-	-	-	-	-
Currency translation effects	-63'064	-	-	-7'467	-8'598	-79'129
<b>At 31 December 2021</b>	<b>2'548'949</b>	<b>7'195'211</b>	<b>4'444'512</b>	<b>10'134'636</b>	<b>606'873</b>	<b>24'930'181</b>
<b>Amortisation and impairment</b>						
At 1 January 2020	-	-	-3'105'277	-5'116'027	-	-8'221'304
Amortization charge	-	-152'833	-236'336	-870'199	-	-1'259'367
Impairment losses	-	-625'126	-1'102'900	-	-	-1'728'026
Retirements and disposals	-	-	-	-	-	-
Currency translation effects	-	-	-	7'216	-	7'216
At 31 December 2020	-	-777'959	-4'444'512	-5'979'010	-	-11'201'482
Amortization charge	-	-408'629	-	-799'172	-75'566 <sup>1)</sup>	-1'283'367
Impairment losses	-	-528'681	-	-	-	-528'681
Currency translation effects	-	-	-	1'056	-	1'056
<b>At 31 December 2021</b>	<b>-</b>	<b>-1'715'270</b>	<b>-4'444'512</b>	<b>-6'777'126</b>	<b>-75'566</b>	<b>-13'012'473</b>
<b>Net book value</b>						
At 1 January 2020	3'193'582	4'668'499	1'339'235	3'066'511	181'381	12'449'208
At 31 December 2020	2'612'013	5'370'437	0	3'349'218	111'699	11'443'367
<b>At 31 December 2021</b>	<b>2'548'949</b>	<b>5'479'941</b>	<b>0</b>	<b>3'357'510</b>	<b>531'307</b>	<b>11'917'708</b>

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

The goodwill of CHF 2.5 million (2020: CHF 2.6 million) originated from the acquisitions of Extera and Mimedis in 2017 and was allocated at the date of acquisition to the group of CGUs which corresponds the segment Medartis Group. The Group performed the annual impairment test in December 2021.

The recoverable amount of Medartis Group has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rate applied to cash flow projections is 7.6% (2020: 7.6%) and cash flows beyond the five-year period are extrapolated using a 4% growth rate (2020: 4%). The growth rate does not exceed the long-term average growth rate for the medical technology sector. The gross profit margin applied was 84% (2020: 84%).

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

The customer base of CHF 4.4 million originated from the acquisition of Extera in August 2017. Following the assessment of internal and external impairment indicators an impairment of CHF 1.1 million was recognized in 2020. The impairment was caused by a reassessment of future sales growth in Brazil.

In 2021 R&D projects in the amount of CHF 0.5 million were impaired (2020: CHF 0.6 million)

As of 31 December 2021 R&D projects amounting to CHF net 5.5 million were capitalized (2020: 5.4 million).

### § 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.

## 7.7 Accounts payable trade and other

The contractual maturities of accounts payable trade and accounts payable other at 31 December 2021 and 2020 are as follows:

(CHF)	2021	2020
<b>Accounts payable trade</b>	<b>8'239'159</b>	5'732'466
Salary and social security	931'249	465'890
Deferred compensation	635'187	665'209
Unused vacation	2'730'545	2'381'001
Bonus payments	7'882'613	3'406'120
Sales commission	1'162'236	637'422
VAT and other non-income taxes	1'658'444	1'813'014
Other	686'538	1'023'948
<b>Accounts payable other</b>	<b>15'686'813</b>	10'392'604
<b>Income tax payables</b>	<b>426'211</b>	538'576
<b>Accrued expenses</b>	<b>2'449'013</b>	1'207'619

Payables for sales commission qualify as financial instruments. This amounts to CHF 1.2 million (2021: CHF 0.6 million).

### § Accounting policies

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

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

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

## 7.8 Current financial debt and other financial liabilities

Current financial debt at 31 December 2021 and 2020 is as follows:

(CHF)	2021	2020
Lease liabilities, current	-4'587'284	-4'516'873
<b>Total current financial debt</b>	<b>-4'587'284</b>	<b>-4'516'873</b>

### § 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 2021 and 2020 are as follows:

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

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

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

	Dismantling provision	Jubilee Provision	Legal provisions	Other provisions	Total
<b>1 Jan 2021</b>	<b>1'000'000</b>	<b>1'249'391</b>	<b>2'696'235</b>	<b>572'429</b>	<b>5'518'055</b>
Additions charged during the year	-	-98'762	-	429'524	<b>330'763</b>
Unused amounts released	-	-	-	-10'713	<b>-10'713</b>
Amounts used	-	88'232	-358'616	-19'424	<b>-289'809</b>
Currency translation adjustments	-	-	-7'159	14'266	<b>7'107</b>
<b>31 Dec 2021</b>	<b>1'000'000</b>	<b>1'238'861</b>	<b>2'330'460</b>	<b>986'081</b>	<b>5'555'402</b>
Current	-	-	2'330'460	986'081	<b>3'316'541</b>
Non-current	1'000'000	1'238'861	-	-	<b>2'238'861</b>

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

### § 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 11'814'368 registered shares (2020: 11'778'148) of CHF 0.20 (2020: 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 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.

In 2020 Medartis Holding AG increased its share capital by issuing 27'619 new shares to 11'778'148 registered shares from its conditional share capital.

As of 31 December 2021 the conditional share capital for employee benefits amounts to CHF 105'328 (2020: 118'096), the conditional share capital for bonds and other instruments amounts to CHF 1'056'957 (2020: CHF 1'056'957) and the authorised capital amounts to CHF 1'175'053 (2020: 1'175'053).

In 2021 Medartis paid out no dividends to shareholders. There are no dividend payments planned for 2022.

## 7.11 Net interest-bearing debt

(CHF)	2021	Maturity		
		till 1 year	1-5 years	over 5 years
Lease liabilities, current	<b>4'587'284</b>	4'587'284	-	-
<b>Net interest-bearing debt, current</b>	<b>4'587'284</b>	<b>4'587'284</b>		
Lease liabilities, non-current	<b>19'487'539</b>	-	18'081'636	1'405'903
<b>Financial debt and other non-current liabilities</b>	<b>19'487'539</b>	-	<b>18'081'636</b>	<b>1'405'903</b>
<b>Total net interest-bearing debt</b>	<b>24'074'823</b>			

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

### Reconciliation of liabilities arising from financing activities

(CHF)	2021	2020
<b>1 January</b>	<b>27'177'136</b>	<b>26'428'199</b>
Increase in lease debts	1'609'562	4'710'196
Repayment of lease debts	-4'706'192	-3'935'805
Repayment of financial debts	-5'683	-25'454
<b>31 December</b>	<b>24'074'822</b>	<b>27'177'136</b>

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 2021, the net pension liability amounts to CHF -17.7 million (2020: CHF -19.1 million)

(CHF)	2021	2020
Fair value of plan assets	48'668'191	45'613'479
Present value of defined benefit obligation	-66'407'775	-64'761'481
<b>Total net book value of employee benefits</b>	<b>-17'739'584</b>	<b>-19'148'002</b>

### 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)	2021	2020
Service costs		
Current service cost (employer)	3'519'893	3'417'584
<b>Total service cost</b>	<b>3'519'893</b>	<b>3'417'584</b>
Administration cost (excl. cost for managing plan assets)	32'381	27'839
Net interest on employee benefits	38'867	61'159
<b>Total pension expenses recorded in income statement</b>	<b>3'591'141</b>	<b>3'506'582</b>

### Remeasurements of employee benefits

(CHF)	2021	2020
Actuarial gains/losses		
Changes in financial assumptions	-44'751	1'352'965
Changes in demographic assumptions	-3'173'874	-
Experience adjustments	1'475'807	878'717
Return on plan assets excl. interest income	-307'388	-208'312
<b>Total remeasurements recorded in other comprehensive income</b>	<b>-2'050'206</b>	<b>2'023'370</b>

The changes in demographic assumptions relate to the change to BVG 2020 mortality tables (2020: BVG 2015).

### Change in fair value of plan assets

(CHF)	2021	2020
Fair value of plan assets at 1.1.	45'613'479	37'765'870
Interest income on plan assets	93'880	145'295
Contributions by the employer	2'949'353	4'294'393
Contributions by plan participants	1'474'675	1'448'854
Benefits (paid) / deposited	-1'770'584	1'750'755
Return on plan assets excl. interest income	307'388	208'312
<b>Fair value of plan assets at 31.12.</b>	<b>48'668'191</b>	<b>45'613'479</b>

**Change in present value of defined benefit**

(CHF)	2021	2020
Defined benefit obligation at 1.1.	64'761'481	55'678'313
Interest expense on defined benefit obligation	1'327'747	206'454
Current service cost (employer)	3'519'893	3'417'584
Contributions by plan participants	1'474'675	1'448'854
Benefits (paid) / deposited	-1'770'584	1'750'755
Past service cost	-	-
Administration cost (excl. cost for managing plan assets)	32'381	27'839
Actuarial (gain) / loss on defined benefit obligation	-1'742'818	2'231'682
<b>Defined benefit obligation at 31.12.</b>	<b>66'407'775</b>	<b>64'761'481</b>

**Asset allocation of investments as at 31 December**

in %	2021	2020
Others	48'668'191	45'613'479
<b>Total</b>	<b>48'668'191</b>	<b>45'613'479</b>

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 2021 in Switzerland was CHF 0.4 million (2020: CHF 0.4 million)

**Plan Participants**

	2021	Active 2020
Number	286	291
Present value of defined obligation in CHF	66'407'775	64'761'481
Share in %	100%	100%
Weighted average duration in years	18.1	19.9

There are no retired plan participants for the years 2021 and 2020.

For the reporting year 2022 employer contributions of CHF 3.1 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 %	2021	2020
Discount rate	0.30%	0.20%
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 31.12.2021	Increase	Decrease
Discount rate (0.25%)	-2'887'242	3'124'981
Salary increase (0.25%)	678'367	-662'511

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

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

### Other long-term employee benefits

Medartis has programs for long-service awards and other payments dependent on length of service which are classified as other long-term payments due to employees. As at 31 December 2021 there exists a provision in the amount of CHF 1.2 million (2020: CHF 1.3 million) for other long-term employee benefits.

## 8. Share-based payments

### Medartis Executive Management Plan

Medartis operated a corporate long-term incentive plan with restricted shares (LTI) for Members of the Executive Management Board. The amount of this long-term compensation is determined individually for each participant.

According to the plan rules, the amount, if any, for each individual participant shall be converted into a number of Medartis Holding AG shares at a conversion price of the average closing price of the share during the last 10 trading days in February, less a discount of 20%. The shares are subject to a restriction period for the next two years.

The related expenses amount to CHF 1.3 million (2020: CHF 1.0 million).

### Medartis Board of Directors Restricted Share Plan

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

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

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

The related expenses amount to CHF 0.7 million (2019: CHF 0.3 million).

### Medartis Employee Share Purchase Plan

Effective in 2021, eligible employees in Switzerland, Germany 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) payout at a discount of 25%. The grant value is based on the average share price over the 20 day period ending before the offering date. The shares are restricted for two years. During the reporting period, 7912 shares were granted.

The related expenses amount to CHF 0.3 million (2020: CHF 0)

### § Accounting policies

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

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

## 9. Transactions and agreements with related parties

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

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

as of 31 December,	2021	2020
Dr. h.c. Thomas Straumann	47.62%	47.75%
NexMed Holding AG	7.80%	7.82%
Endeavour Medtech Growth LP	6.59%	6.61%
Nordflint Capital Partners Fondsmæglersekskab A/S	6.00%	0.00%
Willi Miesch	5.23%	5.25%

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

(CHF)	2021	2020
<b>Sales of goods to:</b>		
Institut Straumann AG	3'199	212'776
<b>Services rendered to:</b>		
centerVision AG	30'378	30'139
<b>Services received from:</b>		
IBRA, International Bone Research Association	-2'837'922	-1'428'468
<b>Total related party transactions</b>	<b>-2'804'345</b>	<b>-1'185'552</b>

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

(CHF)	2021	2020
centerVision AG	696'208	687'883
IBRA, International Bone Research Association	-6'880	-25'363
<b>Total open balances</b>	<b>689'328</b>	<b>662'520</b>

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

(CHF)	2021	2020
Fees, salaries and other short-term benefits	5'430'009	3'858'461
Post-employment benefits	1'430'889	1'222'410
Share-based payment transactions	2'219'858	1'088'833
<b>Total</b>	<b>9'080'756</b>	<b>6'169'704</b>

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 2021, the Group had no other commitments (2020: CHF 8 thousand).

### 10.2 Legal claim contingency

In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations. The Group is exposed to varying degrees of uncertainty related to tax matters, regulatory reviews and audits.

At December 31, 2021, the Group's quantifiable contingencies amounted to CHF 0 (2020: CHF 0). There are no single matters pending that the Group expects to be material in relation to the Group's business, financial result or results of operations.

The following is a description of the material legal matters currently ongoing.

As disclosed in the last Annual Report, 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 CHF 2.3 million (2020: CHF 2.7 million). Accordingly, a corresponding provision exists (please refer to Note 7.9).

## 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:

	2021 per CHF	2020 per CHF
Euro (EUR)	0.96490	0.92214
US Dollar (USD)	1.09274	1.13271
Australian Dollar (AUD)	1.50600	1.47837

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:

	2021 per CHF	2020 per CHF
Euro (EUR)	0.92264	0.93418
US Dollar (USD)	1.09494	1.05974
Australian Dollar (AUD)	1.45408	1.54636



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To the General Meeting of  
**Medartis Holding AG, Basel**

Basle, 4 March 2022

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



### Opinion

We have audited the consolidated financial statements of Medartis Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 87 to 127) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



### Basis for opinion

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

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

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



### Key audit matters

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



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

#### **Existence of inventories and sets in consignment**

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

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

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

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

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

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

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

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



### **Uncertain tax positions and recoverability of deferred tax assets**

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**Risk**

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

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

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

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**Our audit response**

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

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

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

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

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

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



### Legal provisions

**Risk** The provision for legal cases of CHF 2.3m pertains to potential claims, legal costs and other expenses related to the currently ongoing investigation by the authorities in Brazil launched in the context of intensified anti-corruption efforts in the healthcare sector into companies including Extera, the former Medartis distributor acquired in 2017 and its former owners due to possible tender price agreements in 2012.

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

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

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

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



### Other information in the annual report

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

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

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



### Responsibility of the Board of Directors for the consolidated financial statements

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

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



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

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

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



### Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Elisa Alfieri  
Licensed audit expert  
(Auditor in charge)

Daniel Zaugg  
Licensed audit expert

# Financial Statements of Medartis Holding AG, Basel

## Balance sheet

in CHF

Assets	Notes	31 Dec 2021	31 Dec 2020
Cash and cash equivalents		33'513'164	35'882'649
Trade receivables		14'543'172	12'751'081
Other receivables	3	40'456	62'610
<b>Total current assets</b>		<b>48'096'793</b>	<b>48'696'340</b>
Financial assets	4	181'067'728	177'621'698
Shareholdings	5	1'000'000	1'000'000
<b>Total non-current assets</b>		<b>182'067'728</b>	<b>178'621'698</b>
<b>Total assets</b>		<b>230'164'520</b>	<b>227'318'038</b>

## Balance sheet

in CHF

Equity and liabilities	Notes	31 Dec 2021	31 Dec 2020
Trade payables	6	48'348	0
Other current liabilities	7	80'667	39'849
Deferred income and accrued expenses		86'873	44'450
Current provisions	8	383'000	267'000
<b>Total current liabilities</b>		<b>598'888</b>	<b>351'299</b>
Share capital		2'362'874	2'355'630
Capital contribution reserves		254'971'073	253'225'043
Retained earnings			
Loss carryforward		-28'613'933	-28'819'283
Net income for the year		845'619	205'351
<b>Total equity</b>		<b>229'565'632</b>	<b>226'966'740</b>
<b>Total equity and liabilities</b>			<b>227'318'038</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>230'164'521</b>	<b>227'318'038</b>

# Income statement

in CHF

	Notes	Dec 2021	2020
Other operating expenses	9	-903'302	-1'298'339
<b>Earnings before interest and tax (EBIT)</b>		<b>-903'302</b>	<b>-1'298'339</b>
Financial expense	10	-205'625	-624'140
Financial income	10	2'081'546	2'157'764
<b>Operating result before taxes</b>		<b>972'619</b>	<b>235'285</b>
Direct taxes		-127'000	-29'934
<b>Net result for the year</b>		<b>845'619</b>	<b>205'351</b>

# Notes to the financial statements

in CHF

## 1. Principles applied in these financial statements

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

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

## 2. Trade receivables

	31 Dec 2021	31 Dec 2021
Subsidiaries	14'543'172	12'751'081
<b>Total trade receivables</b>	<b>14'543'172</b>	<b>12'751'081</b>

## 3. Other receivables

	31 Dec 2021	31 Dec 2021
Tax	30'163	29'990
Other	10'293	32'620
<b>Total other receivables</b>	<b>40'456</b>	<b>62'610</b>

## 4. Financial assets

	31 Dec 2021	31 Dec 2021
Subsidiaries	181'067'728	177'621'698
<b>Total financial assets</b>	<b>181'067'728</b>	<b>177'621'698</b>

## 5. Shareholdings

### Direct shareholdings

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

## Indirect shareholdings

<b>Medartis GmbH, Germany (Umkirch)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	EUR	51'129	51'129
Capital reserve	EUR	1'723'036	1'723'036
Participation quota		100%	100%
<b>Medartis GmbH, Austria (Vienna)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	EUR	35'000	35'000
Paid-in	EUR	35'000	17'500
Capital reserve	EUR	100'000	100'000
Participation quota		100%	100%
<b>Medartis Sarl, France (Lyon)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	EUR	15'000	15'000
Participation quota		100%	100%
<b>Medartis LTD, UK (Derby)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	GBP	3'700'000	3'700'000
Participation quota		100%	100%
<b>Medartis INC, USA (Delaware)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	USD	10	10
Participation quota		100%	100%
<b>Medartis S A de C V, Mexico (Mexico)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	MXN	100'000	100'000
Participation quota		100%	100%
<b>Medartis Sp zoo, Poland (Wroclaw)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	PLN	200'000	200'000
Participation quota		99%	99%
<b>Medartis Australia &amp; New Zealand Pty LTD, Australia (Albion)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	AUD	1'203'000	1'203'000
Participation quota		100%	100%
<b>Medartis New Zealand LTD, New Zealand (Auckland)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	NZD	1'000	1'000
Participation quota		100%	100%
<b>Medartis Iberia SL, Spain (Barcelona)</b>			<b>31 Dec 2021</b>
Share capital	EUR	3'000	3'000
Participation quota		100%	100%

<b>Medartis do Brasil Participacoes Ltda, Brasil (Sao Paulo)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	BRL	25'157'562	25'157'562
Participation quota		100%	100%
<b>Extera Importação e Exportação Ltda, Brasil (Sao Paulo)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	BRL	18'000'000	18'000'000
Participation quota		100%	100%
<b>Medartis Co Ltd, Japan (Tokyo)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	JPY	10'000'000	10'000'000
Participation quota		100%	100%
<b>Mimedis AG, Switzerland (Basel)</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	CHF	100'000	100'000
Paid-in	CHF	50'000	50'000
Participation quota		100%	100%
<b>Medartis International Trade (Shanghai) Co., Ltd., China</b>		<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Share capital	CNY	30'000'000	10'500'000
Participation quota		100%	100%

## 6. Trade Payables

	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Third parties	48'348	0
<b>Total trade payables</b>	<b>48'348</b>	<b>0</b>

## 7. Other Current liabilities

	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Subsidiaries	80'667	39'849
<b>Total other current liabilities</b>	<b>80'667</b>	<b>39'849</b>

## 8. Provisions

<b>Current provisions</b>	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>
Other provisions	383'000	267'000
<b>Total current provisions</b>	<b>383'000</b>	<b>267'000</b>

## 9. Other operating expenses

	2021	2020
Administrative expense	-593'593	-822'690
Expense for patents, trademarks and licences	-309'709	-4'75'649
<b>Total other operating expenses</b>	<b>-903'302</b>	<b>-1'298'339</b>

## 10. Financial cost and financial income

<b>Financial expense</b>	2021	2020
Interest expense	-11'131	-1'433
Exchange losses	-194'494	-622'707
<b>Total financial expense</b>	<b>-205'625</b>	<b>-624'140</b>

<b>Financial income</b>	2021	2020
Interest income	1'792'652	1'981'122
Exchange gains	288'893	176'643
<b>Total financial income</b>	<b>2'081'546</b>	<b>2'157'764</b>

## 11. Number of employees

Medartis Holding AG has no employees.

## 12. Fees of the auditors

	2021	2020
Fees for audit services (Medartis Group)	225'720	219'000
Fees for other services	0	10'000
<b>Total fees of the auditors</b>	<b>225'720</b>	<b>229'000</b>

## 13. Contingent liabilities

	31 Dec 2021	31 Dec 2020
Guarantee for the bank current account of Medartis AG	10'000'000	10'000'000
Guarantee for the lease liabilities of Medartis AG	23'000'000	23'000'000

## 14. Events after the balance sheet date

After the balance sheet date and until the approval of the financial statements on 4 March 2022 by the Board of Directors no material events, which would affect the financial statements 2021 have occurred.

## 15. Major shareholders

Shareholders who own more than 5% of voting rights:

	31 Dec 2021	31 Dec 2020
Dr. h.c. Thomas Straumann (Chairman of the Board)	47.62%	47.75%
NexMed Holding AG *	7.80%	7.82%
Endeavour Medtech Growth LP	6.59%	6.61%
Willi Miesch (CEO until August 2019)	5.23%	5.25%
Nordflint Capital Partners Fondsmæglerselskab A/S	6.00%	0.00%

\*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.

<b>Board of Directors</b>	31 Dec 2021	31 Dec 2020
Dr. h.c. Thomas Straumann <sup>1)</sup>	5'625'930	5'625'930
Dominik Ellenrieder <sup>2)</sup>	921'035	921'035
Willi Miesch	617'917	617'917
Damien Tappy <sup>3)</sup>	25'365	27'782
Roland Hess	14'568	13'927
Marco Gadola	10'976	2'417
Dr. Med. Daniel B. Herren	1'031	2'817
Dr. Jürg Greuter	1'270	2'604

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.

<b>Executive Management Board</b>	31 Dec 2021	31 Dec 2020
Christoph Brönnimann	19'397	6'172
Axel Maltzen	5'367	5'367
Anthony Durieux-Menage	1'526	1'526
Manuel Schär	227	-
Mareike Loch	509	-



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To the General Meeting of  
**Medartis Holding AG, Basel**

Basle, 4 March 2022

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Medartis Holding AG, which comprise the balance sheet, income statement and notes (pages 133 to 140), for the year ended 31 December 2021.



### Board of Directors' responsibility

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



### Auditor's responsibility

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

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



### Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.



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

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

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

#### VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

**Risk** Investments in and loans to subsidiaries as of balance sheet date amount to CHF 182.1 million or 79.1% of total assets. There is a risk that the carrying amount of the investments and loans may no longer be supported through their value in use calculated on the basis of budgeted future cash flows.

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

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

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



### Report on other legal requirements

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

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



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

Ernst & Young Ltd

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

Elisa Alfieri  
Licensed audit expert  
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'Daniel Zaugg'.

Daniel Zaugg  
Licensed audit expert

# Informations 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

07 March 2022	2021 full-year results publication
06 April 2022	Annual General Meeting 2022
16 August 2022	2022 first-half results publication
14 March 2023	2022 full-year results publication
21 April 2023	Annual General Meeting 2023

## Contact

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## Disclaimer

### Forward-looking statements

This Annual Report contains specific forward-looking statements, beliefs or opinions, including statements with respect to the product pipelines, potential benefits of product candidates and objectives, estimated market sizes and opportunities as well as the milestone potential under existing collaboration agreements, which are based on current beliefs, expectations and projections about future events. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may result in a substantial divergence between the actual results, financial situation, development or performance of Medartis Holding AG and its subsidiaries (the "Group") and those explicitly or implicitly presumed in these statements. The forward-looking statements are based on the information available to the Group on the date of this Annual Report and the Groups' current beliefs, forecasts and assumptions regarding a large number of factors affecting its business. Such beliefs and assumptions are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. There can be no assurance that: (i) the Group has correctly measured or identified all the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group's analysis is based is complete or accurate, (iii) the Group's analysis is correct or (iv) the Group's strategy, which is based in part on this analysis, will be successful. Factors that affect the Group's business include, but are not limited to, (i) general market, governmental and regulatory trends, (ii) competitive pressures, (iii) technological developments, (iv) effectiveness and safety of the Group's products, (v) management changes, (vi) changes in the market in which the Group operates and (vii) changes in the financial position or credit-worthiness of the Group's customers and partners. The Group assumes no liability to update forward-looking statements or to conform them to future events or developments.





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