

AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

Medartis accelerates sales growth to 29% in H1 2021 and improves profitability

- Total net sales in the first six months rose by 29.2% at CER¹ vs. prior year (+20.6% vs. 2019)
- All regions grew by more than 20% – CER growth was strongest in the US (46.3%), followed by APAC (34.9%), LATAM (31.7%) and EMEA (22.3%)
- KeriMedical partnership got off to a promising start – distribution of hand products in selected European markets is on plan
- Gross margin increased by 1.6 PP¹ to 83.6%; EBITDA margin improved by 10 PP from 9.2% to 19.2%
- New Board members nominated
- Full-year sales guidance raised to “at least 20% CER growth” – profitability guidance confirmed

Key Financials in H1 2021

in CHF million	H1 2021 as reported	H1 2020 as reported	Change vs. 2020	Change vs. 2020 at CER	Change vs. 2019 ² at CER
Net Sales	73.6	57.0	+29.1%	+29.2%	+20.6%
Gross Profit	61.5	46.7	+31.6%	+31.9%	+20.7%
Margin (in %)	83.6%	82.0%	+1.6 PP	+1.7 PP	+0.1 PP
EBITDA	14.1	5.2	+169%	+152%	+81%
Margin (in %)	19.2%	9.2%	+10.0 PP	+9.3 PP	+6.4 PP
Operating Profit (EBIT)	6.3	-1.7	+474%	+584%	+278%
Margin (in %)	8.5%	-2.9%	+11.4 PP	+10.8 PP	+5.8 PP
Net Profit	7.1	-5.8	+222%		
Margin (in %)	9.6%	-10.2%	+19.8 PP		
Headcount (30 June)	649	621	+5%		

Basel, 17 August 2021: In the first six months of 2021, Medartis registered strong sales growth in all regions despite headwinds arising from the COVID-19 pandemic. Net sales climbed year-on-year by 29.2% (CER) and 20.6% vs. the pre-coronavirus situation in H1 2019. Gross profit and operating profit expanded strongly versus the prior year and lifted earnings per share to CHF 0.60 (H1 2020: CHF -0.50).

¹ CER (=constant exchange rates) exclude currency effects between two reporting periods. Unless otherwise stated, the company generally shows growth rates at CER. PP = Percentage points.

² In addition to the 2020 growth figures, this report also includes the change 2021 vs. 2019 as this provides a more normalised comparison base during the current pandemic situation.

Medartis CEO Christoph Brönnimann commented: “The first semester grew faster than we expected. I am particularly pleased by the strong results in Australia, most of our European markets and the US, where investments are already starting to pay off. This encouraging performance was driven by customer gains, the rollout of new products and an increase in surgical interventions, allowing us to look more positively into H2 and raise our sales guidance.

The loyalty of our customers and the commitment of our dedicated employees helped to cope well with the corona pandemic. This deserves recognition and gratitude. We live and operate in an increasingly complex environment, in which the pace of change continues to accelerate. For this reason, we have recently initiated a global cultural programme, which is crucial for the execution of our strategy.”

REGIONAL PERFORMANCE

in CHF million	H1 2021	H1 2020	Change vs. 2020	Change vs. 2020 at CER	Change vs. 2019 at CER
EMEA	39.6	31.9	24.1%	22.3%	16.9%
US	12.8	9.3	37.2%	46.3%	31.1%
APAC	15.4	10.8	42.6%	34.9%	34.3%
LATAM	5.8	4.9	16.7%	31.7%	-2.0%
Total Group	73.6	57.0	29.1%	29.2%	20.6%

The sales trend so far this year was favoured by the decreasing number of COVID-19 cases and the loosening of pandemic restrictions compared to the prior year. Hospitals performed more trauma and elective surgeries than in 2020. However, towards the end of Q2 the positive impact of vaccination programmes was partially offset by renewed COVID-19 restrictions due to the spreading of the COVID Delta variant. Some hospitals and clinics reduced their capacity again, affecting planned and elective orthopaedic procedures, which represent a high share of Medartis' lower extremities and CMF (craniomaxillofacial) portfolio. These factors influenced sales momentum in the different regions and segments, as explained in detail below.

In H1, the **EMEA region** reported 22.3% of CER growth vs. 2020 (+16.9% vs. 2019). Despite a difficult environment, the company was able to achieve its growth targets in almost all markets, and even exceeded its objectives in France. The important DACH region (Germany, Austria and Switzerland) also showed a gratifying business trend. Medartis' new Spanish subsidiary contributed initial sales. Demand in the UK benefitted from a relatively quick start to its vaccination campaign. Despite this, most NHS hospitals are still not operating at full capacity. The trend in most distributor markets also improved.

In H1, the company's **US business** increased its momentum as sales expanded by 46.3% vs. the prior year or 31.1% vs. 2019. A more favourable environment has led to an overall increase in business and leisure activities, prompting a rise in the number of accidents and sports injuries. General hospitals and, to a greater extent, ambulatory surgery centres (ASCs) have increased their elective surgeries, and outpatient surgical volumes improved. One of Medartis' key priorities remains expanding its US presence. In order to sustainably gain market share, local management has accelerated its growth plans by hiring additional sales representatives. In addition to the growing sales network, the reallocation of sales territories and the adjustment of the incentive scheme also contributed to the gratifying business trend. Medartis has also

started to offer more T&E sessions and has strengthened the newly founded regional IBRA chapter (International Bone Research Association).

The **APAC region** reported 34.9% of CER growth year-on-year (or 34.3% vs. 2019). Australia was the main contributor to this strong performance. Medartis' largest country in the region benefitted from customer conversion and market share expansion. In Japan, the company made progress with the newly established direct lower extremity business. Medartis China is still in its ramp-up phase, but won several hospital tenders and reported initial sales. Regional distributors performed in line with the company's expectations.

The **LATAM Region** recovered in H1 by posting 31.7% of CER growth compared to the same period a year ago, but is still 2.0% below the pre-coronavirus situation. Brazil expanded strongly. The smaller Mexican business grew at a low double-digit rate vs. 2020, but was only up 1.0% vs. 2019. Distributor sales were stronger than in 2020, but still clearly below the 2019 level.

BUSINESS SEGMENT PERFORMANCE

in CHF million, rounded	H1 2021	H1 2020	Change vs. 2020	Change vs. 2020 at CER	Change vs. 2019 at CER
Upper extremities	52.8	41.4	27.6%	28.4%	21.9%
Lower extremities	11.4	8.2	38.8%	39.9%	33.9%
CMF & other products	9.4	7.4	26.8%	29.4%	6.3%
Total	73.6	57.0	29.1%	29.2%	20.6%

Upper extremities, which account for 72% of total net sales, increased by 28.4% at CER compared to the prior year. Lower extremities (15% of total sales) grew by 39.9%, while its craniomaxillofacial (CMF) and others segment expanded by 29.4% year-on-year. Compared to 2019, sales in the lower extremities business increased the most (+33.9% CER).

Wrist, the largest product category in **upper extremities**, was the principal contributor to growth in H1. Medartis increased its momentum and bolstered its market position. Demand for elbow, shoulder and clavicle implants, as well as the extended CCS (cannulated compression screw) portfolio, grew particularly strong. The company introduced various products from its strategic partner KeriMedical, which offers innovative technologies for hand & finger surgeries. The respective products were successfully introduced in Germany, Austria and the UK, with positive customer responses. Although still at a low level, the distribution business is developing according to plan.

Growth in **lower extremities** was particularly strong in its US and Australian foot & ankle business, where respective sales surged by 61.0% year-on-year. As contact restrictions made it difficult to showcase, introduce and train our new products in face-to-face meetings, Medartis continued to invest in digital training and online customer events. For the same reason, the company also decided to launch its new midfoot-hindfoot and its lower tibia-fibula fracture system in Q3. In line with its strategy to further increase its segment market share, Medartis also initiated various portfolio expansion projects dedicated to the large US market.

In the DACH region, Medartis systematically introduced its new CMF system, Modus® II. Within Medartis' smallest segment, patient-specific solutions as well as digital planning software are an important customer need and a key differentiator in the market. Medartis was able to leverage its expertise in this field (CMX), although pandemic restrictions in most countries prevented a return to normal levels.

EU supply chain hub implemented

A major project in H1 was the creation of a European supply chain hub at its Germany subsidiary in Umkirch. Although a small hub already existed, Swiss-European discussions regarding the bilateral agreement with the European Union as well as the implementation of the European Medical Device Regulation (MDR) caused additional regulatory requirements. As a result, products for the European market are now sold indirectly through the German hub, whereas in the past, they were sold directly from Medartis' headquarters in Basel. This milestone project was successfully implemented in May.

Medartis also continued to invest in its organisation in 2021. This concerned not only the size and capabilities of its sales teams, but also other strategic functions. The global workforce increased globally by 5% to 649 employees, reflecting business, R&D and geographic expansion.

FINANCIAL PERFORMANCE

During the first half of 2021, Medartis was able to increase its gross margin by 1.6% points to 83.6%. A positive geographical mix effect (i.e. a larger proportion of sales from countries with higher selling prices) as well as manufacturing efficiency were the main drivers of this improvement.

Operating expenses (OPEX), which comprise selling & distribution, administration and R&D expenses, amounted to CHF 55.4 million or 75.3% relative to net sales (2020: 84.9%). OPEX improved in relative terms due to higher selling volumes and the resulting operating leverage. **Selling & distribution expenses** make up the largest part of the OPEX expenses (59.3%), and increased in absolute terms due to the sales force expansion and the creation of new subsidiaries in Spain, JP and China. In contrast, sales force travel, training & education and event & marketing activities were lower than planned due to the pandemic contact restrictions. IT and supply chain costs rose in 2021 due to MDR-related projects as well as the establishment of new subsidiaries. **R&D expenses** increased by CHF 2.7 million year-on-year to CHF 10.5 million. This reflects the company's strategy to further expand its product portfolio and to drive innovation. In the future, Medartis will also expand its R&D resources into the US in order to develop new products specifically intended for the North American market – especially in the foot & ankle business. **Administration expenses** comprise regulatory, quality, IT, HR, finance and supply chain management increased by CHF 1 million due to project related IT & logistic costs for the creation of the European supply chain hub as well as additional costs for the new subsidiaries.

EBITDA improved considerably to CHF 14.1 million (2020: CHF 5.2 million) due to the aforementioned gross profit improvement and better OPEX efficiency. The EBITDA margin increased by 10% points and reached 19.2%.

Depreciation & amortisation (D&A) increased by CHF 1.0 million to CHF 7.9 million (10.8% of net sales). The majority of the depreciation expenses relate to machinery, surgical tools & containers in consignment stocks and are correlated with the anticipated sales development.

Operating profit (EBIT) reached CHF 6.3 million in H1 2021, and the corresponding margin reached 8.5%. This compares to an operating loss of CHF 1.7 million in the prior year.

The **financial result** in H1 improved to CHF 1.7 million in H1 2021 from a negative CHF 5.0 million in the prior year, when the company encountered currency losses of CHF 4.3 million. During H1 2021 Medartis took various actions to reduce its foreign exchange exposure. This will help the company to reduce future foreign exchange volatility. **Income tax expenses** stood at CHF 0.9 million compared to a tax income of CHF 0.8 million in H1 2020. The year-on-year change reflects the higher operating profit and includes certain effects resulting from the implementation of the European hub.

As a result of the above factors, **net profit** reached CHF 7.1 million in H1 2021. This compares to a loss of CHF 5.8 million in H1 2020. Basic EPS increased accordingly from CHF -0.50 per share in H1 2020 to CHF 0.60 per share in the current period. Thanks to its increased top line, improved profitability and FX de-risking, the company increased its **cash holdings** from CHF 82.7 million at the end of 2020 to CHF 84.1 million on 30 June 2021. Operating cashflow in H1 2021 improved significantly to CHF 9.0 million (H1 2020: CHF 0.2 million) despite a sales-related increase in accounts receivable and inventory. The company invested CHF 4.1 million in its equipment and facilities compared to CHF 5.7 million in the previous year. The majority of these CAPEX investments were due to an increased number of consignment set containers and instruments, which is the basis for future implant growth, i.e. plates and screws. **Free cashflow**³ turned to a positive CHF 3.3 million in 2021 (2020: CHF -6.9 million), primarily due to the improved profitability and lower CAPEX.

NEW BOARD MEMBERS PROPOSED

The Medartis Board of Directors has announced proposals for leadership succession intended to take effect at the next 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.

Nadia Tarolli Schmidt has worked with the business law firm VISCHER AG since 2005. She is a partner and co-head of the company's tax team and heads the social security practice. She has advised numerous Swiss and international clients with a focus on the financial, healthcare and life sciences industries. Her background, extensive experience in business law, specific skills in the areas of taxation, social security, corporate law and her experience in M&A complement well with the other members and make her a valuable addition to the Board. She also acts as judge at the Basel tax court and serves on various boards and foundations. Nadia Tarolli Schmidt is a Swiss-Italian dual citizen and a registered Swiss attorney at law and a Swiss certified tax expert.

³ Free cashflow equals cashflow from operating activities less cashflow used for investing activities.

Ciro Roemer is an expert in the medical device industry, with in-depth knowledge of global healthcare systems and medical technology markets. He has over 35 years of industry experience across Europe and in the US, which has been defined by Medartis as one of its main growth markets. He recently retired as the chairman of the Johnson & Johnson Medical Devices Companies in North America. Previously, he held leading positions at Synthes and in J&J's medical device business. He also served as a Board member of the AO Foundation, the leading global network for orthopaedic surgeons and healthcare professionals. **Ciro Roemer** also acted as Vice Chairman of Eucomed, the European medical device industry association. **Ciro Roemer** was born in 1962 and is a Dutch citizen. He graduated from BIGRA Amsterdam with a Bachelor's degree in Health Science, and completed the Advanced Management Program at Harvard Business School in the United States.

ADJUSTED FULL-YEAR 2021 OUTLOOK

(barring any unforeseen circumstances, especially due to the COVID-19 pandemic)

Based on the strong performance in H1 and despite a more challenging baseline in H2, Medartis expects full-year sales growth (CER) of at least 20%. This outlook assumes a higher number of elective surgical procedures in its key markets in H2 as the pandemic fades. Furthermore, the company confirms its assumption of stable EBITDA margin development in 2021 as it continues to invest in its sales force and product pipeline, and assumes a gradual pick up of training & marketing activities during the remainder of the year.

ANALYSTS' AND MEDIA CONFERENCE CALL

Medartis will present its 2021 half-quarter results to representatives of the financial community and media in a webcast conference call today at 10.30 a.m. Swiss time. The webcast will be hosted by Christoph Brönnimann (CEO) and Dirk Kirsten (CFO) and can be accessed via the following link: [Webcast conference H1 2021 results](#). The webcast language will be English. A replay of the webcast will be available on our website shortly after the conference. If you wish to download the slide deck, we recommend that you download the presentation file under the following [link](#). The half-year financial report is available [here](#).

Participants may alternatively use the following phone numbers to connect to the call:

Switzerland/Europe	+41 (0) 58 310 50 00
UK	+44 (0) 207 107 06 13
US	+1 (1) 631 570 56 13

For other international numbers, see media.choruscall.ch

IMPORTANT DATES AND UPCOMING INVESTOR EVENTS

2021	
19 August	Virtual International Investor Roadshow
16 September	UBS Best of Switzerland Conference
4 November	ZKB Switzerland Conference
18 November	Credit Suisse Mid Cap Conference
2022	
8 March	2021 Full-Year Results Presentation
6 April	Annual General Meeting 2022

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About Medartis

Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region. Medartis employs approx. 650 individuals across its 14 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theatre personnel with the most innovative titanium implants and instruments as well as best-in-class service. For more information, please visit www.medartis.com.

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