Medacta International

HALF-YEAR REPORT **2022**

MEDACTA AT A GLANCE

Medacta is an international company specializing in the design, production, and distribution of innovative orthopedic products, as well as in the development of accompanying surgical techniques. Established in 1999 in Switzerland, Medacta is active in joint replacement, spine surgery, and sports medicine. Medacta is committed to improving the care and well-being of patients and maintains a strong focus on healthcare sustainability. Medacta's innovation, forged by close collaboration with surgeon leaders globally, began with minimally invasive surgical techniques and has evolved into personalized solutions for every patient. Through the M.O.R.E. Institute, Medacta supports surgeons with a comprehensive and tailored program dedicated to the advancement of medical education. Medacta is headquartered in Castel San Pietro, Switzerland, and operates in over 40 countries.

From minimally invasive surgery to

Personalized Medicine and beyond

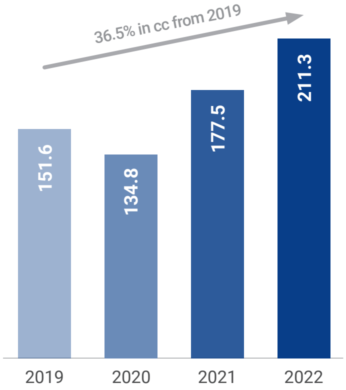
TABLE OF CONTENTS

HALF-YEAR 2022 KEY FINANCIAL FIGURES

REVENUES

EUR 211.3M

+14.6% before FX effects from H1 2021[1]
+36.5% growth in constant currency from H1 2019

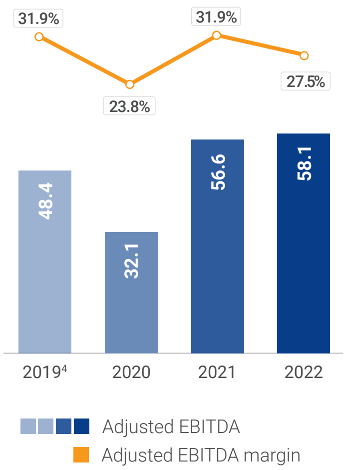


[1] Is calculated as the difference between the current and historical period results translated using the current period exchange rates.

ADJUSTED EBITDA[2]

EUR 58.1M

27.5% Adjusted EBITDA margin[3]

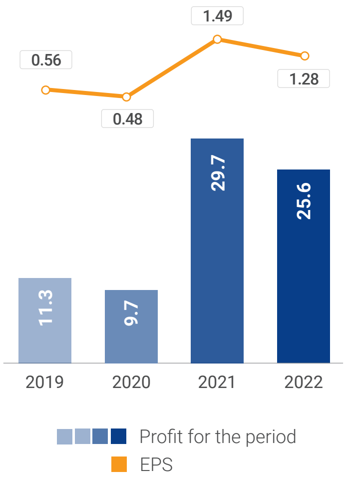


[2] Is calculated as EBITDA, adjusted for non-recurring items.
[3] Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of Revenue for the period.
[4] The 2019 EBITDA is adjusted and normalized, as it was presented in the APM section of the Half-Year Report 2019.

PROFIT FOR THE PERIOD

EUR 25.6M

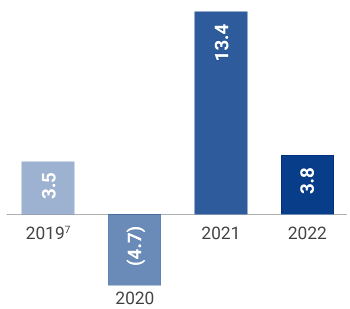
EUR 1.28 EPS[5]



[5] In the first six month of 2019 and 2020, there is no effect of dilution, and diluted earnings per share equals basic earnings per share.

ADJUSTED FREE CASH FLOW[6]

EUR 3.8M

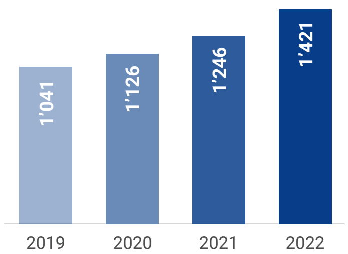


[6] Adjusted Free Cash Flow is calculated as IFRS cash flow from operating activities plus IFRS cash flow from investing activities and adjusted for certain non-recurring items.
[7] In 2019 in addition to the Adjusted Free Cash Flow we presented the Normalized Alternative Performance Measures to ensure comparability with prior period given the introduction of new IFRS accounting standards and/or half-year phasing.

PERIOD-END EMPLOYEES TOTAL

1’421

80 new jobs added in the first six month of 2022



HIGHLIGHTS FIRST HALF 2022*

- Medacta's half-year 2022 revenue increased to Euro 211.3 million, or 19.0% reported (14.6% at constant currency);
- Significant customer acquisition, salesforce expansion and product introduction drove the growth that was limited by pandemic restrictions and hospital staffing shortages in Australia and U.S.;
- Compared to H1 2019, revenue CAGR of 10.9% at constant currency, true growth beyond a mere recovery;
- Adjusted EBITDA margin of 27.5%, impacted by salesforce expansion, geographic mix, inflationary cost and foreign exchange effects;
- Continued innovation through all product lines, further expansion of our network of expert surgeons to support our Marketing and Medical Education Programs, hiring of personnel to support the operation and the salesforce expansion;
- Strong supply chain through investments in surgical instrument sets and implant stock to serve new customers and face possible shortages;
- Outlook FY 2022: revenue growth revised upward in the range of 14% to 16% and Adjusted EBITDA margin expected now around 27.5%, both measured at constant currency, subject to any unforeseen events.

KEY FINANCIAL FIGURES (UNAUDITED)

(Million Euro)	**30.06.2022**	**30.06.2021**
Revenues	211.3	177.5
Gross Profit	148.4	128.6
Profit for the period	25.6	29.7
Alternative Performance Measures:		
EBITDA	56.8	50.1
Adjusted EBITDA*	58.1	56.6
Adjusted EBITDA margin*	27.5%	31.9%
Free Cash Flow	(5.1)	(8.5)
Adjusted Free Cash Flow**	3.8	13.4

(Million Euro)	**30.06.2022**	**31.12.2021**
Total Assets	550.8	489.3
Total Equity	252.2	226.4
Equity Ratio	45.8%	46.3%
Number of employees	1'421	1'341

* Adjusted for extraordinary legal expenses (Euro 0.8M), the accrual on RSB settlement (Euro 0.3M) and extraordinary MDR costs (Euro 0.2M). The reconciliation is provided in the "Alternative Performance Measures" section of this report beginning on page 12.

** Adjusted for extraordinary legal expenses (Euro 0.8M), the settlement of RSB litigation (Euro 0.3M) and of MicroPort litigation (Euro 1.8M), extraordinary MDR costs (Euro 0.2M), the strategic purchase of land for Castel San Pietro expansion (Euro 4.6M) and Levante Medica asset deal (Euro 0.2M). Please see the "Alternative Performance Measures" section of this report beginning on page 12 for the reconciliation of the "Adjusted Free Cash Flow".

* **Alternative Performance Measures:** This section and other sections of this Half-Year Report contain certain financial measures of historical performance that are not defined or specified by IFRS, such as "constant currency", "EBITDA", "Adjusted EBITDA" or "CORE EBITDA", "Free Cash Flow", "Adjusted Free Cash Flow", "Net Debt" and "Leverage". Reconciliation of these measures as well as "CORE" financial measures is provided in the "Alternative Performance Measures" (APMs) section of this Half-Year Report on page 12. These Alternative Performance Measures (APMs) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APMs, together with reconciliations to the most directly reconcilable IFRS line items, please refer section headed "Alternative Performance Measures" of this Half-Year Report.

SHARE INFORMATION

The registered shares of Medacta Group SA are traded on the International Reporting Standard of SIX Swiss Exchange and are part of the Swiss Performance Index.

NUMBER OF SHARES	
Share capital (in CHF)	2'000'000
Number of registered shares outstanding *as of June 30, 2022*	19'979'343
Nominal value per registered share (in CHF)	0.10
Number of treasury shares *as of June 30, 2022*	20'657

DATA PER SHARE	**30.06.2022**
High (in CHF) *for the period January - June 2022*	147.60
Low (in CHF) *for the period January - June 2022*	89.60
Closing price (in CHF)	91.10
Market capitalization (in CHF million)	1'822

HALF-YEAR 2022 RELATIVE SHARE PRICE DEVELOPMENT

Index base 100 calculation
Source: Refinitiv

M.O.R.E.
INSTITUTE

The surgeon is never alone
when discovering new technologies

LETTER TO SHAREHOLDERS

Dr. Alberto Siccardi

Francesco Siccardi

Dear Shareholders,

Despite the persistent challenging conditions, we were able to continue gaining significant market shares from our peers. Our 19.0% revenue growth (14.6% at constant currency) in H1 2022 and 36.5% growth at constant currency compared to H1 2019 shows that we did not only recover from pre-Covid level but that we were able to insure year over year double digit growth navigating pandemic and difficult macro-economic uncertainties. We are extremely confident in company's ability to continue executing our long-term value creation strategy based on innovation, medical education, and international salesforce expansion.

OUR ACHIEVEMENTS

In the first semester 2022, innovation continued through all business lines. Following 1'000 NextAR™ surgeries performed worldwide in the limited market release phase, we reached 100 NextAR™ platforms in the market. This milestone was driven by the full market release of the NextAR™ Shoulder application in May 2022. In June 2022, NextAR™ further enlarged its worldwide outreach with the approval in Japan. The NextAR™ platform is offered as a hardware system with limited capital investment and single-use instrumentation at a low cost per case and offers the ability to host software for multiple applications for both joint and spine. The platform represents an optimal solution worldwide and particularly for U.S. Ambulatory Surgery Centers (ASCs).

Our Marketing and Medical Education Programs continued, and we further expanded our network of expert surgeons with more than 500 reference centers active worldwide. In the first semester the reduction of Covid-related restrictions allowed for a re-establishment of national and international congressional activities.

During the semester, 80 new jobs were added to support the operation and the salesforce expansion across all the geographies and business lines. We continued to assure strategically a strong supply chain through investments in surgical instrument sets and implant stock to serve new customers and avoid possible shortages.

GROWTH IN ALL REGIONS AND BUSINESS LINES*

In the first semester 2022, revenue increased 14.6% at constant currency and 19.0% on reported currency over the prior year, at EUR 211.3 million, with positive contributions from all business lines and geographies. The growth was primarily driven by significant customer acquisition, salesforce expansion and product introduction only limited by pandemic restrictions and hospital staffing shortages in Australia and U.S. Currency development had a positive impact with a tailwind of 4.4%, mainly due to the weakening of the Euro against the US Dollar, the Swiss Franc and the Australian Dollar, only partially compensated by the Euro strengthening against the Japanese Yen.

In terms of trend by business line, revenue from our Hip products increased to EUR 101.4 million, or 11.1% on a constant currency basis; the good momentum was driven by the AMIS® strategy, supported by further adoption of the Bikini technique, and roll-out of new products. Revenue from our Knee offerings were EUR 77.2 million, an increase of 16.1% on a constant currency basis, thanks to the continuous customer acquisition on Kinematic Alignment, Efficiency single-use instruments and GMK® Sphere implants. Our Extremities business line reported an increase in revenue of 35.6% on a constant currency basis to EUR 12.9 million; the growth was driven by the acquisition of new customers through the completeness of the Medacta Shoulder System, supported by MyShoulder® and NextAR™ personalized solutions, and the expansion of the Sports Med product offering. Revenue from our Spine offering increased by 16.0% on a constant currency basis to EUR 19.8 million, driven by the expansion of MIS Platform and MySpine® offering.

In terms of geographic trend, revenue in Europe registered an increase of 22.0% on a constant currency basis to EUR 94.4 million. The growth was driven by customer acquisition, together with normalization of surgical activities. Revenue in North America increased to EUR 64.2 million, or 10.8% on a constant currency basis, thanks to our customer acquisition, which was limited by the impact of Covid-19 and hospital staffing shortages especially in the first months of the year. Revenue in Asia Pacific grew by 3.7% on a constant currency basis to EUR 44.8 million, mainly driven by the attainment of new customers in Japan, which was limited by significant pandemic restrictions in Australia in the first quarter of the semester. Japan faced government price reduction late in H1. Revenue in RoW was EUR 7.9 million, an increase of 31.8% on a constant currency basis, thanks mainly to increased purchases from stocking distributors in Latin America.

GROSS PROFIT PERFORMANCE *

The Gross Profit was EUR 148.4 million compared to EUR 128.6 million in the previous period. The Gross Profit margin was equal to 70.2% compared to 72.5% in the first semester 2021. The change was primarily affected by a less favourable geographic mix contribution, price reductions in certain countries and negative currency development.

ADJUSTED EBITDA MARGIN *

The Adjusted EBITDA amounted to EUR 58.1 million (EUR 56.6 million in H1 2021), corresponding to a margin of 27.5% compared to 31.9% in 2021. The change of margin reflects primarily the reduction in gross profit, the negative currency development, higher costs mainly from incremental new customer acquisition and salesforce expansion to sustain momentum and future growth and from inflationary pressure on transports and travels. It is to be noted that the EBITDA margin in the first semester of 2021 was highly inflated by non-recurring cost savings due to pandemic restrictions.

ADJUSTED EBIT MARGIN*

The Adjusted EBIT amounted to EUR 33.7 million, 16.0% on revenues, compared to EUR 38.1 million, 21.4% on revenues, in the first semester 2021. The change of margin was due to the reduction of EBITDA and higher depreciation and amortization, primarily from R&D projects following the new European Medical Devices Regulation that fully entered into force in the first semester 2021.

PROFIT FOR THE PERIOD

The Profit for the period was EUR 25.6 million, after income taxes of EUR 4.9 million, compared to EUR 29.7 million in the first semester 2021, which mainly benefited from non-recurring positive effects on income taxes.

SOLID BALANCE SHEET

Medacta's balance sheet further strengthened, with total assets increasing to EUR 550.8 million and an equity ratio of 45.8% at the end of the reporting period. The Adjusted Free Cash Flow generated in the first semester 2022 amounted to EUR 3.8 million (EUR 13.4 million in H1 2021), after significant for future manufacturing plant expansion and new instruments and development to enable the future growth of Medacta.

OUTLOOK

We revise upward our 2022 revenue growth guidance in the range of 14% to 16%, at constant currency. Following the persistently less favorable revenue geographic mix, together with inflationary costs due to macroeconomic and geopolitical issues, Adjusted EBITDA margin is now expected around 27.5%, at constant currency, subject to any unforeseen events. This compares to our previous outlook of revenue growth towards 14% and Adjusted EBITDA margin towards 28%, both measured at constant currency.

THANKS

We would like to thank all our shareholders, for your confidence and loyalty.

Sincerely,

Dr. Alberto Siccardi
Chairman of the Board of Directors

Francesco Siccardi
Chief Executive Officer

*__Alternative Performance Measures:__ This section and other sections of this Half-Year Report contain certain financial measures of historical performance that are not defined or specified by IFRS, such as "constant currency", "EBITDA", "Adjusted EBITDA" or "CORE EBITDA", "Free Cash Flow", "Adjusted Free Cash Flow", "Net Debt" and "Leverage". Reconciliation of these measures as well as "CORE" financial measures is provided in the "Alternative Performance Measures" (APMs) section of this Half-Year Report on page 12. These Alternative Performance Measures (APMs) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APMs, together with reconciliations to the most directly reconcilable IFRS line items, please refer section headed "Alternative Performance Measures" of this Half-Year Report.

ALTERNATIVE PERFORMANCE MEASURES

The financial information provided in the selected sections of the 2022 Half-Year Report, including "Highlights first half 2022", "Letter to Shareholders", "Management Commentary" and elsewhere in this document, include certain Alternative Performance Measures (APMs) which are not accounting measures defined by IFRS. The Group believes that investor understanding of Medacta's performance is enhanced by disclosing core measures of performance (i.e. CORE or Adjusted), since they exclude items which can vary significantly from year to year. Therefore, the CORE results exclude effects related, for example, to extraordinary legal expenses, release of prior-year provisions, one-time tax duty and other one-time items that may vary significantly over periods.

These APMs should not be considered as alternatives to the Group's Consolidated Financial results based on IFRS. These APMs may not be comparable to similarly titled measures disclosed by other companies. The definitions of the main KPI disclosed in the 2022 Half-Year Report are reported at the end of this section.

CORE RESULTS

The following tables provide the reconciliation of the CORE results with the Interim Condensed Consolidated Financial Statement as of June 30, 2022 and 2021. In addition to the CORE ratios we did not identify any normalization for the June 30, 2022 results. Management assessed that due to the pervasive nature of Covid-19, it would not be appropriate to include new APMs as it might not provide reliable or useful information to the market.

2022 CORE RESULTS RECONCILIATION

June 30, 2022 (Thousand Euro)	IFRS	Provision on Litigation[1]	Legal costs[2]	MDR costs[3]	CORE[4]
Revenues	211'271	-	-	-	211'271
Cost of Sales	(62'881)	-	-	-	(62'881)
GROSS PROFIT	**148'390**	**-**	**-**	**-**	**148'390**
Research and Development expenses	(7'725)	-	-	207	(7'518)
Sales and Marketing expenses	(77'096)	-	-	-	(77'096)
General and Administrative expenses	(30'858)	320	768	-	(29'770)
Other income	518	-	-	-	518
Other expenses	(803)	-	-	-	(803)
OPERATING PROFIT (EBIT)	**32'426**	**320**	**768**	**207**	**33'721**

OPERATING PROFIT (EBIT)	**32'426**	**320**	**768**	**207**	**33'721**
Depreciation, Amortisation and Impairment	24'333	-	-	-	24'333
EBITDA	**56'759**	**320**	**768**	**207**	**58'054**
EBITDA MARGIN	**26.9%**				**27.5%**

[1] Provision on litigation accrued for RSB. Refer to Note 6.10 "Litigations", paragraph Patent Matter - RSB Spine.

[2] Legal costs in H1 2022 refer to the extraordinary expenses incurred by the Group on litigations, refer to Note 6.10 "Litigations".

[3] MDR costs in H1 2022 refer to the extraordinary expenses incurred by the Group on the transition to comply the new regulation, refer to Note 6.2 "Significant Events and Transactions".

[4] References to "Adjusted" are the equivalent to "CORE" references (i.e. Adjusted EBITDA and CORE EBITDA are interchangeable).

2021 CORE RESULTS RECONCILIATION

June 30, 2021 (Thousand Euro)	IFRS	Provision on Litigation[1]	Legal costs[2]	CORE[3]
Revenues	177'488	-	-	177'488
Cost of Sales	(48'851)	-	-	(48'851)
GROSS PROFIT	**128'637**	**-**	**-**	**128'637**
Research and Development expenses	(4'550)	-	-	(4'550)
Sales and Marketing expenses	(60'981)	-	-	(60'981)
General and Administrative expenses	(31'369)	4'515	1'970	(24'884)
Other income	632	-	-	632
Other expenses	(790)	-	-	(790)
OPERATING PROFIT (EBIT)	**31'579**	**4'515**	**1'970**	**38'064**

OPERATING PROFIT (EBIT)	**31'579**	**4'515**	**1'970**	**38'064**
Depreciation and Amortisation	18'518	-	-	18'518
EBITDA	**50'097**	**4'515**	**1'970**	**56'582**
EBITDA MARGIN	**28.2%**			**31.9%**

[1] Provision on litigation accrued for MicroPort.

[2] Legal costs in H1 2021 refer to the extraordinary expenses incurred by the Group on litigations.

[3] References to "Adjusted" are the equivalent to "CORE" references (i.e. Adjusted EBITDA and CORE EBITDA are interchangeable).

ADJUSTED FREE CASH FLOW RECONCILIATION

(Thousand Euro)	30.06.2022	30.06.2021
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**31'097**	**15'561**
Adjustments for:		
Legal costs	768	1'970
Settlement of legal claims[1]	2'151	
Incremental taxes paid in 2021[2]	-	18'028
Extraordinary MDR[3] Costs	207	
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**34'223**	**35'559**
CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(36'223)**	**(24'041)**
Adjustments for:		
Rancate investments[4]	1'008	1'928
Levante Medica asset purchase acquisition[5]	194	
Land acquisition for plant expansion[6]	4'629	
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(30'392)**	**(22'113)**
ADJUSTED FREE CASH FLOW	**3'831**	**13'446**

[1] Settlement of legal claims is related to RSB and MicroPort litigation, respectively equal to Euro 320 thousand and Euro 1'831 thousand.

[2] In 2021 Medacta International SA paid income taxes for a total amount of CHF 23'238 thousand (Euro 21'235 thousand) out of which CHF 19'728 thousand (Euro 18'028 thousand) are related to the settlement of 2017 and 2018 fiscal years.

[3] EU Medical Devices Regulation (MDR).

[4] In the first half of 2022, Medacta invested Euro 1'008 thousand in creating new offices in our Rancate site. This investment has been completed in the first semester of 2022.

[5] In the first half of 2022, Medacta paid out Euro 194 thousand for the asset acquisition of Levante Medica 2008 S.L. completed in 2021.

[6] In the first half of 2022, Medacta invested Euro 4'629 thousand for the strategic purchase of a land that will be destinated for Castel San Pietro manufacturing plant expansion.

KPI DEFINITIONS

CORE

In accordance with the directives of the Swiss Stock Exchange, the Group adopted the reporting of Alternative Performance Measures (APM), which facilitates the assessment of the underlying business performance but may differ from IFRS reported figures. The 'CORE' (i.e. Adjusted) figures used in this document exclude extraordinary legal expenses, legal provisions, release of prior-year provisions, one-time tax duty and other one-time items that may vary significantly over periods. A reconciliation table of the reported and CORE ratios with additional descriptions is provided on paragraph "Alternative Performance Measures" of this report.

EBITDA

EBITDA is a non-IFRS measure that represents profit or loss for the period before finance costs, finance income, income taxes, depreciation and amortization. EBITDA margin is defined as EBITDA divided by revenues, expressed as a percentage. We define EBITDA as profit / (loss) for the period before net interest expense, income taxes, depreciation and amortization.

ADJUSTED EBITDA (I.E., CORE EBITDA)

Represents EBITDA before additional specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. Management considers Adjusted EBITDA to be a key measure of financial performance and believes that this measure provides additional useful information for prospective investors on performance and is consistent with how the business performance is measured internally. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

CONSTANT CURRENCY

The Group has presented certain information that it refers to as "constant currency", which is a non-IFRS financial measure and represents the total change between periods excluding the effect of changes in foreign currency exchange rates. The Group believes that the reconciliations of changes in constant currency provide useful supplementary information to investors in light of fluctuations in foreign currency exchange rates. Furthermore, the Group believes that constant currency measures provide additional useful information on the Group's operational performance and is consistent with how the business performance is measured internally. In calculating constant currency figures, the current period amount is translated at the foreign currency exchange rate used for the previous period to get a more comparable amount.

OPEX

Opex include the sum of Research and Development expenses, Sales and Marketing expenses, General and Administrative expenses, Other income and expenses. In the Management Report commentary "CORE" operative expenses are adjusted for specific items (reconciled in the tables above) in order to enhance the understanding of the Group's performance.

EQUITY RATIO

The equity ratio is calculated dividing Total Equity by Total Assets.

NET TRADE WORKING CAPITAL

Net Trade Working Capital is capital invested in the Group's operating activities. The variation in Net Trade Working Capital is an indicator of the operational efficiency of the Group. Net Trade Working Capital is the sum of trade receivables, trade payables and inventory.

FREE CASH FLOW

Free Cash Flow is used to assess the Group's ability to generate the cash needed to conduct and maintain our operations. It also provides an indication of the Group's ability to generate cash to fund dividend payments, repay debt and to undertake merger and acquisition activities. Free Cash Flow (post investing activities) is calculated as IFRS cash flow from operating activities plus IFRS cash flow from investing activities. The Adjusted Free Cash Flow is calculated as Free Cash Flow adjusted for certain non-recurring items that management believes are not indicative of operational performance.

NET DEBT

Net Debt is used as a metric to indicate the overall debt situation of the Group and is measured by netting the non-current and current financial liabilities with our cash and cash equivalents.

LEVERAGE

Leverage ratio is used to assess our ability to meet our financial obligations and is calculated as Net Debt divided by EBITDA adjusted.

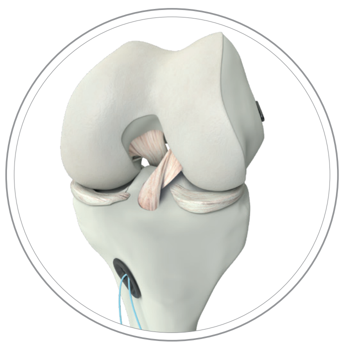
Medacta International

From minimally invasive surgery to **Personalized Medicine** and beyond

JOINT

SPINE

SPORTS MED



Medacta International

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022

1. INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021

	Unaudited	Unaudited
(Thousand Euro)	**30.06.2022**	**30.06.2021**
Revenues	211'271	177'488
Cost of Sales	(62'881)	(48'851)
GROSS PROFIT	**148'390**	**128'637**
Research and Development expenses	(7'725)	(4'550)
Sales and Marketing expenses	(77'096)	(60'981)
General and Administrative expenses	(30'858)	(31'369)
Other income	518	632
Other expenses	(803)	(790)
OPERATING PROFIT(EBIT)	**32'426**	**31'579**
Financial income	3'899	4'902
Financial costs	(5'783)	(4'892)
PROFIT BEFORE TAXES	**30'542**	**31'589**
Income taxes	(4'916)	(1'851)
PROFIT FOR THE PERIOD	**25'626**	**29'738**

ATTRIBUTABLE TO		
Equity holders of the parent	25'626	29'738
Non-controlling interests	-	-
BASIC EARNINGS PER SHARE	**1.28**	**1.49**
DILUTED EARNINGS PER SHARE	**1.28**	**1.49**

The selected explanatory notes are integral part of the Interim Condensed Consolidated Financial Statements.

2. INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021

(Thousand Euro)	Unaudited 30.06.2022	Unaudited 30.06.2021
PROFIT FOR THE PERIOD	**25'626**	**29'738**
OTHER COMPREHENSIVE INCOME		
Remeasurements of defined benefit obligations	6'473	1'175
Tax effect on remeasurements of defined benefit obligations	(1'122)	(203)
TOTAL ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**5'351**	**972**
Currency translation differences	5'863	(3'325)
TOTAL ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**5'863**	**(3'325)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**11'214**	**(2'353)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**36'840**	**27'385**
ATTRIBUTABLE TO		
Equity holders of the parent	36'840	27'385
Non-controlling interests	-	-

The selected explanatory notes are integral part of the Interim Condensed Consolidated Financial Statements.

3. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIODS ENDED JUNE 30, 2022 AND DECEMBER 31, 2021

ASSETS	Unaudited	Audited
(Thousand Euro)	**30.06.2022**	**31.12.2021**
Property, plant and equipment	179'441	155'378
Right-of-use assets	26'227	24'371
Goodwill and intangible assets	51'801	51'975
Other non-current financial assets	470	479
Deferred tax assets	30'179	29'029
TOTAL NON-CURRENT ASSETS	**288'118**	**261'232**
Inventories	151'943	136'091
Trade receivables	76'369	59'436
Other current financial assets	-	-
Other receivables and prepaid expenses	12'166	12'103
Cash and cash equivalents	22'241	20'404
TOTAL CURRENT ASSETS	**262'719**	**228'034**
TOTAL ASSETS	**550'837**	**489'266**

LIABILITIES AND EQUITY	Unaudited	Audited
(Thousand Euro)	**30.06.2022**	**31.12.2021**
Share capital	1'775	1'775
Capital contribution reserve	16'018	21'227
Retained earnings and other reserves	217'533	192'363
Foreign currency translation reserve	16'895	11'032
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**252'221**	**226'397**
Non-controlling interests	-	-
EQUITY	**252'221**	**226'397**
Non-current financial liabilities	130'597	49'552
Other non-current liabilities	5'896	8'123
Non-current provisions	1'252	1'185
Retirement benefit obligation	6'653	12'145
Deferred tax liabilities	41'792	39'837
Non-current lease liabilities	17'185	15'470
TOTAL NON-CURRENT LIABILITIES	**203'375**	**126'312**
Trade payables	30'807	25'951
Other current liabilities	15'421	11'002
Current financial liabilities	15'201	64'486
Current provisions	120	349
Accrued expenses and deferred income	27'831	29'055
Current lease liabilities	5'861	5'714
TOTAL CURRENT LIABILITIES	**95'241**	**136'557**
TOTAL LIABILITIES	**298'616**	**262'869**
TOTAL LIABILITIES AND EQUITY	**550'837**	**489'266**

The selected explanatory notes are integral part of the Interim Condensed Consolidated Financial Statements.

4. INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021

	Attributable to equity holders of Medacta Group SA						
(Thousand Euro)	Share capital	Capital Contribution Reserve	Retained earnings and other reserves	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total equity
BALANCE JANUARY 1, 2022	**1'775**	**21'227**	**193'605**	**(1'242)**	**11'032**	**-**	**226'397**
Profit for the period	-	-	25'626	-	-	-	25'626
Remeasurements of defined benefit obligations	-	-	6'473	-	-	-	6'473
Tax effect on remeasurements of defined benefit obligations	-	-	(1'122)	-	-	-	(1'122)
Currency translation differences	-	-	-	-	5'863	-	5'863
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**30'977**	**-**	**5'863**	**-**	**36'840**
Dividends paid	-	(5'209)	(5'209)	-	-	-	(10'418)
Purchase of treasury shares	-	-	-	(1'129)	-	-	(1'129)
Share-based payment transactions	-	-	531	-	-	-	531
BALANCE JUNE 30, 2022	**1'775**	**16'018**	**219'904**	**(2'371)**	**16'895**	**-**	**252'221**

	Attributable to equity holders of Medacta Group SA						
(Thousand Euro)	Share capital	Capital Contribution Reserve	Retained earnings and other reserves	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total equity
BALANCE JANUARY 1, 2021	**1'775**	**21'227**	**139'409**	**-**	**2'306**	**-**	**164'717**
Profit for the period	-	-	29'738	-	-	-	29'738
Remeasurements of defined benefit obligations	-	-	1'175	-	-	-	1'175
Tax effect on remeasurements of defined benefit obligations	-	-	(203)	-	-	-	(203)
Currency translation differences	-	-	-	-	(3'325)	-	(3'325)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**30'710**	**-**	**(3'325)**	**-**	**27'385**
Purchase of treasury shares	-	-	-	(286)	-	-	(286)
Share-based payment transactions	-	-	166	-	-	-	166
BALANCE JUNE 30, 2021	**1'775**	**21'227**	**170'285**	**(286)**	**(1'019)**	**-**	**191'982**

The selected explanatory notes are integral part of the Interim Condensed Consolidated Financial Statements.

5. INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021

(Thousand Euro)	Unaudited 30.06.2022	Unaudited 30.06.2021
PROFIT FOR THE PERIOD	**25'626**	**29'738**
Adjustments for:		
Income taxes	4'916	1'851
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	24'333	18'518
(Gain) / loss on disposal of tangible and intangible assets	(47)	530
Foreign exchange result	2'374	(1'650)
Interest expenses	1'020	844
Change in Provisions and Retirement benefit obligations	2'183	5'731
Share-based payments expense	525	166
Income taxes paid	(5'117)	(22'485)
Interest paid	(1'017)	(844)
(Increase) / decrease in trade receivables	(15'844)	(13'098)
(Increase) / decrease in other receivables and prepaid expenses	847	(1'280)
(Increase) / decrease in inventories	(11'948)	(8'726)
Increase / (decrease) in trade payables	3'921	5'272
Increase / (decrease) in other liabilities and accruals	(675)	994
CASH FLOW FROM OPERATING ACTIVITIES	**31'097**	**15'561**
Purchase of tangible assets	(34'769)	(21'180)
Purchase of intangible assets *	(3'841)	(4'274)
Proceeds from disposal of tangible assets	2'572	1'398
Cash consideration for acquisitions, net of cash acquired	(194)	-
Changes in financial assets	9	15
CASH FLOW FROM INVESTING ACTIVITIES	**(36'223)**	**(24'041)**
Proceeds from borrowings	33'730	-
Repayment of borrowings	(10'234)	(4'853)
Repayment of lease liabilities	(3'402)	(2'891)
Dividends paid	(10'418)	-
Purchase of treasury shares	(1'129)	(286)
CASH FLOW FROM FINANCING ACTIVITIES	**8'547**	**(8'030)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3'421**	**(16'510)**
Cash and cash equivalents at the beginning of the period	20'404	48'068
Net effect of currency transaction on cash and cash equivalent	(1'584)	(230)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**22'241**	**31'328**

* "Purchase of intangible assets" excludes unpaid acquisitions of intangible assets.

The selected explanatory notes are integral part of the Interim Condensed Consolidated Financial Statements.

6. SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6.1 GENERAL INFORMATION

Medacta Group SA (referred to hereafter as the "Company" or together with its subsidiaries the "Group") has been registered in the Commercial Register of the Canton Ticino since November 30, 2018 and is a limited company incorporated and domiciled in Canton Ticino. The registered office is Strada Regina 34, 6874 Castel San Pietro, Ticino, Switzerland.

The Company shares are publicly traded and listed on the SIX Swiss Exchange in Zurich.

The Group operates globally to develop, manufacture and distribute orthopedic and neurosurgical medical devices. The Group was founded in 1999 with a vision of redefining better through innovation for people needing joint replacement and spine surgery. The Group has a financial year ending December 31.

6.2 SIGNIFICANT EVENTS AND TRANSACTIONS

IMPLICATIONS OF RUSSIA-UKRAINE CONFLICT

We are monitoring the war in Ukraine and its impact on worldwide geopolitical and macroeconomic uncertainties. Our direct exposure to both Russia and Ukraine is very limited. Both in 2022 and 2021, we did not have any sales in Russia, while in Ukraine we accounted for only Euro 0.3 million (Euro 0.6 million in full-year 2021). From Q2 2022, we are not entering any new business either onshore or through distributors in both Russia and Ukraine. We do not have any of our consolidated assets that are currently in either Russia or Ukraine territory, except for Euro 0.2 million receivables towards Ukrainian clients that were entirely written off in 2022.

The conflict has resulted and could continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents or other disruptions to information systems, reduced availability and increased costs for transportation, energy, packaging, raw materials, and other input costs. As a result of these consequences from the Russia-Ukraine conflict, we increased our level of attention on inflationary pressures on transportation and commodity costs. Our Enterprise Risk Management meetings focused on both supply chain and inflationary risks, to identify specific actions needed to mitigate the impact on our performances. Our half-year 2022 profitability was impacted from the inflationary costs, which we expect to continue for the remainder of 2022. Also, to further strengthen our internal measures, to maintain the confidentiality and integrity of our systems, data, and products against cyberattacks, we executed a dedicated cybersecurity project designed in 2021. The program included the appointment of a Cybersecurity Manager, penetration testing and the creation of a Security Operation Center for H24 monitoring of cyber events on our IT infrastructure. Regular updates on the program were presented to the Audit and Risk Committee. Also, in 2022 periodic training and awareness sessions in the cyber environment have been planned for all our Group employees.

IMPACT OF COVID-19

Our global operations continue to expose us to risks associated with the Covid-19 pandemic. Numerous measures have been implemented around the world to try to reduce the spread of the virus and these measures have impacted and will continue to impact us and our customers. In 2022 our performances have been still affected by the Covid-19 global pandemic, nevertheless, the Group was able to deliver strong top-line growth, and solid cash flow results. The vast majority of our net sales are derived from products used in elective surgical procedures. In the first semester 2022 we witnessed a general recovery of elective procedures as the impact of the Covid-19 pandemic eased in most geographies, delivering 14.6% revenue growth at constant currency (19.0% reported). Significant customer acquisition, salesforce expansion and product introduction drove the growth that was limited by pandemic restrictions and hospital staffing shortages in Australia and US which resulted in further deferrals of elective surgical procedures.

The rapidly evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities, regarding the Covid-19 pandemic, could lead to a material adverse impact on our revenue growth, operating profit and cash flow. However, despite the unpredictability about the future impact of Covid-19 on the results of the Group, the Directors believe that there are no financial or other indicators presenting material uncertainties that may cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

Following the Covid-19 pandemic, some governments of the countries where the Group operates decided to provide assistance in the form of subsidies or government grants to cover part of the cost of personnel incurred during the period in which the Group lost part of its profitability. We did not obtain any government grants in 2022 (Euro 99 thousand in full-year 2021).

The Group has also assessed the impact of Covid-19 on the expected credit loss (ECL), considering any adjustments needed to the provision matrix to reflect current and future economic condition. The assessment did not lead to any material change to the allowance on trade receivables.

Management assessed the list of internal and external indicators provided by IAS 36 and, even considering the impact of Covid-19 in the half-year economic performance, does not believe that as of June 30, 2022 there are observable indicators that Medacta assets' value may be impaired. External sources of information such as adverse effect on market interest rates, market capitalization and market development showed only temporary impact that are mostly already reflecting results pre Covid-19. The internal sources of information assessed indicates that mid and long-term fundamentals on the expected economic performance have not changed.

NEW EU REGULATION ON MEDICAL DEVICES (MDR)

The Regulation on Medical Devices (MDR) went into effect in May of 2017, effectively replacing decades-old legislation and creating new quality and transparency requirements for medical device companies in the European Union. The Official Journal of the European Union published the MDR and IVDR. The new rules replace Med Device Directive (93/42/EEC), the Active Implantable Medical Device Directive (90/385/EEC) and the In-Vitro Diagnostic Medical Device Directive (98/79/EC). Although the MDR is technically "in effect", since 2017 there was a transitional period until May 2021 for companies to fully comply with the directives. From a financial and reporting perspective the new EU MDR will bring several impacts including a significant increase in pre-CE clinical studies, as competitor predicate device clinical data can no longer be used.

Under the new Regulation on Medical Devices, article 120 "Transitional provisions", provides that there will be a transition period where all the CE registrations obtained under the Medical Device Directive (93/43/EEC) should be resubmitted through the new Medical Device Regulation. All the registration costs incurred by Medacta for the transition will be expensed in the Research and Development line item. As of June 30, 2022, the costs incurred relating these activities amounted to Euro 207 thousand.

6.3 ACCOUNTING POLICIES

BASIS OF PREPARATION

These unaudited financial statements are the Interim Condensed Consolidated Financial Statements of Medacta Group SA and its subsidiaries for the six-month period that ended June 30, 2022. These financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Consolidated Financial Statements for the year that ended December 31, 2021. The Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on September 8, 2022.

The principles and standards utilised in preparing these Interim Condensed Consolidated Financial Statements have been consistently applied through all periods presented.

USE OF ESTIMATES AND JUDGEMENT

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions which influence the value of assets and liabilities in the Interim Consolidated Statement of Financial Position and recognition of revenue and expenses in the Interim Consolidated Statement of Profit or Loss, and the disclosures included in the Notes to the Interim Condensed Consolidated Financial Statements.

The most significant accounting principles which require a higher degree of judgment from management are described below:

- Leases – Due to the application of IFRS 16, judgement is required to determine the lease term. Management considers all circumstances and facts that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment;

- Development costs – Applying IAS 38, the Group recognises an internally-generated intangible asset arising from development only if all the conditions specified in the standard have been demonstrated (refer to Note 6.2 "Consolidation principles, composition of the Group and significant accounting policies" paragraph "Significant accounting policies" in the 2021 Annual Report). Management uses its judgement, based on the fact and circumstances of each development project, to assess whether the IAS 38 par. 57 conditions have been met.

Estimates are based on historical experience and other factors. The resulting accounting estimates could differ from the related actual results. Estimates are periodically reviewed and the effects of each change are reflected in the Consolidated Financial Statements in the year in which the change occurs. The key sources of uncertainty that required management's estimation in the half-year ended June 30, 2022, consistently with the year ended December 31, 2021, were the following: impairment test for intangible assets; deferred tax assets; valuation of inventories; pension plans; legal and other contingencies.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Annual Consolidated Financial Statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2022:

- Amendments to IAS 37, "Changes in Onerous Contracts — Cost of Fulfilling a Contract" (effective for annual periods beginning or on after January 1, 2022);
- Amendments to IAS 16, "Property, Plant and Equipment — Proceeds before Intended Use" (effective for annual periods beginning or on after January 1, 2022);
- Amendments to IFRS 3, "Reference to the Conceptual Framework (effective for annual periods beginning or on after January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020 Cycle (effective for annual periods beginning or on after January 1, 2022): IFRS 9 Financial Instruments - Fees in the "10 per cent" test for derecognition of financial liabilities, IFRS 16 Leases - Lease incentives.

These amendments had no impact on the Interim Condensed Consolidated Financial Statements of the Group.

The following amendments have been published but are not yet effective:

- Amendments to IAS 1, "Classification of liabilities as current or non-current (effective for annual reporting periods beginning on or after January 1, 2023);
- Amendments to IAS 1 and IFRS Practice Statement 2 on disclosure of accounting policies (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 on accounting estimates (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (effective for annual periods beginning on or after January 1, 2023);
- IFRS 10 "Consolidated Financial Statements" and IAS 28 (amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". Effective date of the amendments has yet to be set by the IASB.

The Group has not early adopted any of the listed amendments that have been issued but not yet effective. The future adoption of the above amendments is not expected to have any material impact on the disclosures or on the amounts reported in the Interim Condensed Consolidated Financial Statements.

EXCHANGE RATES USED TO TRANSLATE FINANCIAL STATEMENTS PREPARED IN CURRENCIES OTHER THAN EURO

Items included in the financial statement of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's presentation currency is Euro, while the functional currency of the Parent Company is Swiss Franc. All values are rounded to the nearest thousand except where otherwise indicated.

	Average		Closing	
	H1 2022	**H1 2021**	**30.06.2022**	**31.12.2021**
CHF	0.9694	0.9138	0.9991	0.9643
GBP	1.1875	1.1535	1.1616	1.1901
AUD	0.6584	0.6399	0.6584	0.6387
USD	0.9157	0.8302	0.9540	0.8797
JPY	0.0075	0.0077	0.0070	0.0076
CAD	0.7200	0.6661	0.7411	0.6960

COMPOSITION OF THE GROUP

Entities included in the scope of consolidation are listed below:

Company	% of shares held June 2022	% of shares held June 2021	Registered office	Registered Capital	Consolidation Method
Medacta Group SA	N/A	N/A	Castel San Pietro (CH)	2'000'000 CHF	Parent company
Medacta Holding SA	100%	100%	Castel San Pietro (CH)	1'026'010 CHF	Full Consolidation
Medacta International SA	100%	100%	Castel San Pietro (CH)	1'000'000 CHF	Full Consolidation
Medacta Americas Operations Inc.*	100%	-	Wilmington - Delaware (US)	1 USD	Full Consolidation
Medacta Australia PTY Ltd	100%	100%	Lane Cove (AU)	4 AUD	Full Consolidation
Medacta Austria GmbH	100%	100%	Eugendorf (AT)	35'000 EUR	Full Consolidation
Medacta Belgium S.r.l.**	100%	100%	Nivelles (BE)	2'018'550 EUR	Full Consolidation
Medacta Canada Inc.	100%	100%	Kitchener (CA)	100 CAD	Full Consolidation
Medacta España S.L.	100%	100%	Burjassot (ES)	3'000 EUR	Full Consolidation
Medacta France SAS	100%	100%	Villeneuve la Garenne (FR)	37'000 EUR	Full Consolidation
Medacta Germany GmbH	100%	100%	Göppingen (DE)	25'000 EUR	Full Consolidation
Medacta Italia S.r.l.	100%	100%	Milan (IT)	2'600'000 EUR	Full Consolidation
Medacta Japan Co. Ltd	100%	100%	Tokyo (JP)	25'000'000 JPY	Full Consolidation
Medacta UK Ltd	100%	100%	Hinckley (UK)	29'994 GBP	Full Consolidation
Medacta USA Inc.	100%	100%	Franklin - Tennessee (US)	50'050'000 USD	Full Consolidation

* This is a new legal entity formed as of February 2022 in Wilmington - Delaware.

** As of November 18, 2021 Medacta International SA acquired Medacta Belgium S.r.l. shares from Medacta Holding SA. As of December 21, 2021 Medacta Belgium S.r.l. registered a capital increase of Euro 2'000'000 (from Euro 18'550 to Euro 2'018'550).

The percentages of shares held, reported in the above table, represent both the shares of the capital and the votes held. The ultimate parent company is Medacta Group SA. The Group has neither associated companies nor joint arrangements.

SEASONALITY OF OPERATIONS

The Group operates in an industry where significant seasonal or cyclical variations in the total sales are not experienced during the financial year. In the six months 2022 our performance has been still affected by the pandemic; significant customer acquisition, salesforce expansion and product introduction drove the half-year growth that was limited by pandemic restrictions and hospital staffing shortages in particular in Australia and US. This situation could have an impact on the weights of revenue and cost to be incurred in the second semester compared to the H1 2022.

6.4 FAIR VALUE MEASUREMENT AND CLASSIFICATION

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

For financial instruments held by the Group and measured at amortised costs, the fair value usually approximates the carrying amount, in which case the column "Fair Value" in the table below is left empty.

The following tables summarize the financial instruments carried at fair value, by valuation method as of June 30, 2022 and December 31, 2021.

The different levels have been defined as follows:

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date;
- Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques are based on observable market data, where applicable. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2;
- Level 3: If a significant amount of inputs is not based on observable market data the instrument is included in level 3. For this level other techniques, such as discounted cash flow analysis, are used to determine fair value.

No changes in the valuation techniques of the items below have occurred since the last annual financial statements.

	Carrying amount (based on measurement basis)					
		Assets / Liabilities as FVTPL				
As at June 30, 2022 (Thousand Euro)	Asset and Liabilities at amortised cost	Level 1	Level 2	Level 3	Total carrying amount	Fair Value
Other non-current financial assets	470	-	-	-	**470**	-
Trade receivables	76'369	-	-	-	**76'369**	-
Cash and cash equivalents	22'241	-	-	-	**22'241**	-
Non-current financial liabilities	130'597	-	-	-	**130'597**	-
Other non-current liabilities	5'895	-	-	-	**5'895**	-
Non-current lease liabilities	17'185	-	-	-	**17'185**	-
Trade payables	30'807	-	-	-	**30'807**	-
Other current liabilities	15'421	-	-	-	**15'421**	-
Current financial liabilities	14'259	-	942	-	**15'201**	-
Current lease liabilities	5'861	-	-	-	**5'861**	-

	Carrying amount (based on measurement basis)					
		Assets / Liabilities as FVTPL				
As at December 31, 2021 (Thousand Euro)	Asset and Liabilities at amortised cost	Level 1	Level 2	Level 3	Total carrying amount	Fair Value
Other non-current financial assets	479	-	-	-	**479**	-
Trade receivables	59'436	-	-	-	**59'436**	-
Cash and cash equivalents	20'404	-	-	-	**20'404**	-
Non-current financial liabilities	49'552	-	-	-	**49'552**	-
Other non-current liabilities	8'123	-	-	-	**8'123**	-
Non-current lease liabilities	15'470	-	-	-	**15'470**	-
Trade payables	25'951	-	-	-	**25'951**	-
Other current liabilities	11'002	-	-	-	**11'002**	-
Current financial liabilities	64'447	-	39	-	**64'486**	-
Current lease liabilities	5'714	-	-	-	**5'714**	-

The level 2 balance relates forward currency contracts (Foreign exchange contracts, selling USD and buying CHF). The financial instruments have a duration between 1 and 12 months.

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the six-month period ending June 30, 2022.

6.5 FINANCIAL LIABILITIES

As of June 30, 2022, financial liabilities include bank loans and credit facilities for a total amount of Euro 142’441 thousand (Euro 111’478 thousand as of December 31, 2021). The change is related to proceeds from borrowings, amounting to Euro 33’730 thousand, to finance investments, operating activities and the payment of dividends, and to repayments amounting to Euro 10’234 thousand. In May 2022, the Group amended some of the credit agreements, changing the payment terms of some of the existing bank loans and credit facilities, prolonging the payments originally due in 2022 until 2024 to a new amortization schedule that extends the terms until 2028. This is reflected in the classification within current or non-current financial liabilities in the Interim Consolidated Statement of Financial Position as of June 30, 2022: Euro 13’765 thousand current and Euro 128’676 thousand non-current. As of December 31, 2021, current bank loans and credit facilities amounted to Euro 63’776 thousand, non-current bank loans amounted to Euro 47’702 thousand.

6.6 RETIREMENT BENEFIT OBLIGATION

As of June 30, 2022, retirement benefit obligation amounts to Euro 6’653 thousand (Euro 12’145 thousand as of December 31, 2021).

The decrease is mainly related to the remeasurement of defined benefit pension plans in Switzerland, primarily due to the changes in the discount rates used to calculate the actuarial defined benefit obligations, partially offset by actuarial losses from valuation impact on plan assets.

Covid-19 and geopolitical and macroeconomic uncertainties have had a significant impact on market fluctuations. Consequently, the discount rate utilized for the actuarial evaluation of the Switzerland pension plan increased from 0.2% as of December 31, 2021 to 2.2% as of June 30, 2022.

The net amount recognised in the Consolidated Statements of financial position related to the defined benefit plan in Switzerland decreased from Euro 8’926 thousand to Euro 3’222 thousand:

(Thousand Euro)	**30.06.2022**	**31.12.2021**
Present value of defined benefit obligations	(32'514)	(37'827)
Fair value of plan assets	29'292	28'901
RETIREMENT BENEFIT OBLIGATIONS	**(3'222)**	**(8'926)**

The remeasurement was recognised as of June 30, 2022 in the Other Comprehensive Income Statement for a total amount of Euro 6’473 thousand.

6.7 SEGMENT INFORMATION

The Group has only one operating segment.

The criteria applied to identify the operating segments are consistent with the way the Group is managed. In particular, the segment reporting reflects the internal organizational and management structure used within the Group as well as the internal management reporting reviewed regularly by the Chief Operating Decision Maker (CODM), who has been identified as the Chief Executive Officer Francesco Siccardi.

Therefore, Medacta constitutes with only one segment which is represented by the whole group itself. In the first six months of 2022 and 2021 no single customer represents 10% or more of the total Group revenues. Resource allocation and performance assessment are performed at Group level and not at single-component level.

The operating segments subject to disclosure are consistent with the organization model adopted by the Group during the six-month period ended June 30, 2022.

INFORMATION BY GEOGRAPHIC AREA

The Group operates in Europe, North America (which includes the United States of America and Canada), Asia-Pacific (which includes Australia, Indonesia, Japan, Malaysia, New Zealand, Taiwan, Vietnam) and Rest of the World (RoW) area (which includes all other geographic locations, including the Middle East and Latin America). Sales are attributed to geographic areas based on the customer's location, whereas property, plant and equipment based on the geographic area where legal entities are located. The Group did not report other non-current assets by geographic area since the cost to develop the information would be excessive and will not provide any material value to the reader.

	Unaudited 30.06.2022		Unaudited 30.06.2021	Audited 31.12.2021
SALES AND PROPERTY, PLANT AND EQUIPMENT (Thousand Euro)	Net sales	Property, plant and equipment	Net sales	Property, plant and equipment
Europe	94'365	147'085	76'202	127'088
North America	64'199	29'682	52'539	25'970
Asia Pacific	44'803	2'674	43'041	2'320
RoW	7'904	-	5'706	-
TOTAL CONSOLIDATED	**211'271**	**179'441**	**177'488**	**155'378**

ANALYSIS OF REVENUE

The following table presents revenue of the Group's product lines for the six-month period ended June 30, 2022 and 2021 respectively:

(Thousand Euro)	Unaudited 30.06.2022	Unaudited 30.06.2021
Hip	101'395	88'379
Knee	77'245	63'426
Shoulder	12'334	8'820
Spine	19'766	16'550
Sports Med	531	313
TOTAL	**211'271**	**177'488**

6.8 MEDACTA GROUP STOCKHOLDERS' EQUITY

SHARE CAPITAL

The subscribed capital of Medacta Group SA amounts to CHF 2'000 thousand equivalent to Euro 1'775 thousand and is divided into 20'000 thousand nominal shares fully paid-up with a nominal value of CHF 0.10 each.

All issued ordinary share give the same voting and dividend rights. Also, all the issued shares by Medacta Group SA are authorized and fully paid by the ultimate shareholders.

DIVIDEND

On May 25, 2022, Medacta Group SA paid a dividend of CHF 0.535 (2021: CHF 0) per share to its shareholders excluding ordinary shares owned by the Group and held as treasury shares at the AGM date. The total amount of the gross dividend paid was CHF 10.7 million (2021: CHF 0), half of it distributed as dividend out of available earnings and half of it distributed out of accumulated reserves from capital contribution.

EARNINGS PER SHARE

Basic earnings per share is calculated as the profit for the period attributable to equity holders of the parent divided by the weighted average number of outstanding shares of the Company during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

	Unaudited 30.06.2022	Unaudited 30.06.2021
Net profit attributable to shareholders (in Euro thousand)	25'626	29'738
Weighted average number of ordinary shares outstanding	19'984'347	19'999'220
BASIC EARNINGS PER SHARE (in Euro)	**1.28**	**1.49**

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of Medacta Group SA by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential of outstanding equity instruments into ordinary shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Performance Share Units.

(Thousand Euro)	Unaudited 30.06.2022	Unaudited 30.06.2021
Net profit used to determine diluted earnings per share (in Euro thousand)	25'626	29'738
Weighted average number of ordinary shares outstanding	19'984'347	19'999'220
Adjustments for performance stock units issued	10'646	1'969
Weighted average number of ordinary shares for diluted earnings per share	19'994'994	20'001'189
DILUTED EARNINGS PER SHARE (in Euro)	**1.28**	**1.49**

FOREIGN CURRENCY TRANSLATION RESERVE

Currency translation differences are generated by the translation into Euro of Financial Statements of subsidiaries prepared in currencies other than Euro.

TREASURY SHARES

In 2022 Medacta Group SA, decided to repurchase its own outstanding shares to fund the 2021 and 2022 share-based compensation award cycles. Treasury shares are valued at weighted average cost and have been deducted from equity. As of June 30, 2022 the number of treasury shares amounted to 20’657 out of which 10’650 purchased in the first six months of 2022.

RETAINED EARNINGS

These include subsidiaries’ earnings that have not been distributed as dividends and the amount of consolidated companies’ equities in excess of the corresponding carrying amounts of equity investments.

6.9 TAXES

The Group’s Income taxes for the half-year period ended June 30, 2022 amount to Euro 4’916 thousand compared to Euro 1’851 thousand as of June 30, 2021, corresponding to an effective tax rate of 16.1% and 5.9% respectively.

The Group’s average tax rate before deductions and one-off effects increased from 15.7% in half-year 2021 to 19.7% in half-year 2022 and was negatively affected by a change in the profit mix. This effect is the consequence of the increasing profitability of Medacta USA compared to prior period, also due to the impact of the provision accrued in 2021 on the MicroPort litigation, which resulted in a lower average tax rate due to the recognition of a deferred tax asset on losses generated by the entity.

Medacta International SA benefits, since 2020, from a special tax deduction from taxable profits for qualifying profits arising from patent rights ("Patent Box deduction"), which has a positive impact in the half-year 2022 amounting around Euro 1.3 million (around Euro 2.9 million as of June 30, 2021), corresponding to a positive impact on the effective tax rate for 4.2% (9.4% as of June 30, 2021).

In addition, in the half-year 2021 Medacta International SA recognised a positive impact amounting to approximately Euro 0.5 million due to the settlement of previous years' taxes accrued in excess, further decreasing the comparative effective tax rate for around 1.5%.

6.10 LITIGATIONS

PATENT MATTER - RSB SPINE, LLC V. MEDACTA USA, INC.

After the completion of the fact discovery in February, 2022, Medacta and RSB have finally agreed to settle the case for USD 350 thousand. The settlement agreement has been signed on June 8, 2022. Therefore, on June 22, 2022 the Court granted the Parties joint stipulation of dismissal: this order formally ended the lawsuit.

PATENT MATTER - CONFORMIS, INC. V. MEDACTA USA, INC.

After the completion of fact and expert discovery, the Court permitted Conformis to file an amended complaint adding Medacta International as a defendant. The parties filed a stipulation to reset the trial date to May 2023 in order to permit the parties to take additional discovery relating to Medacta International and exchange supplemental expert reports. However, the Court has since indicated it will not move the original trial date, and as such, we do not anticipate the parties will take any additional discovery or supplement reports. Trial is set to begin October 30, 2022. The parties continue to pursue settlement discussions, but the case has not yet been resolved. The parties have previously engaged in two rounds of mediation with the Magistrate Judge.

In connection with the above patent matter, the Group recognised a provision of approximately Euro 0.7 million accrued in 2020.

PATENT MATTER - CONFORMIS, INC. V. MEDACTA INTERNATIONAL SA AND MEDACTA GERMANY GMBH

In response to Conformis Inc.'s complaint, that has been served on Medacta International as well in May 2022, Medacta GmbH and Medacta International have both summarized their argumentations in front of the Court in Dusseldorf in July 2022. Besides, as counter-attack, Medacta filed the nullity action against Conformis to the Federal Patent Court in Munich. Meanwhile, the Court ordered Conformis Inc. to pay Euro 73 thousand as security for the legal expenses concerning Medacta GmbH and have filed the same in favour of Medacta International S.A.

An oral hearing was taken on September 1, 2022 and on September 29, 2022 the Court will render a decision.

At this stage of the proceedings, we are unable to conclude that the likelihood of an unfavourable outcome is either "probable" or "remote" and accordingly express no opinion as to the outcome of this matter.

The case is still pending and in connection with this matter we have not made any provisions.

6.11 RELATED PARTY TRANSACTIONS

Related parties primarily comprise members of Group Executive Management (GEM), members of the Board of Directors and significant shareholders.

Transactions with related parties are carried out at arm's length. Details of transactions between the Group and its related parties are disclosed below.

OPERATING TRANSACTIONS

During the first six months 2022 Medacta International made contributions to Medacta for Life Foundation for Euro 242 thousand, a non-profit organization owned by the Siccardi Family.

Mr. Philippe Weber is a member of the Board of Directors of Medacta Group SA. Niederer Kraft Frey Ltd, a law firm at which Mr. Philippe Weber is a partner, provided legal services to the Group. The fees for his professional services provided during the first six months 2022 are recognised in the General and Administrative expense line item for an amount equal to Euro 9 thousand.

Dr. Alberto Siccardi, Chairman of the Board of Directors of Medacta Group SA, and Mr. Francesco Siccardi, CEO of Medacta Group SA, in the first six months of 2022 purchased respectively 9'000 and 19'400 share units.

6.12 ATYPICAL AND/OR UNUSUAL OPERATIONS

During the first six months of 2022, the Group did not carry out any atypical and/or unusual operations.

6.13 CONTINGENCIES AND COMMITMENTS

The Group, as of June 30, 2022, contracted purchase commitments, mainly relating the acquisition of instruments, for a total amount of Euro 23.9 million (as of December 31, 2021: Euro 16.8 million).

As of June 30, 2022, tangible fixed assets for a total amount of Euro 16'827 thousand (as of December 31, 2021: Euro 16'494 thousand) have been pledged as collateral for borrowing facilities.

The Group as of June 30, 2022 and as of December 31, 2021 had unused current credit lines of Euro 101'454 thousand and Euro 103'886 thousand, respectively.

6.14 SUBSEQUENT EVENTS

There have been no events occurring after the reported period which would have a material effect on the Medacta Group Financials as of June 30, 2022.

7. INDEPENDENT AUDITOR'S REPORT

Deloitte.

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To the Board of Directors of
Medacta Group SA, Castel San Pietro

Independent Auditor's report on Review of Interim Condensed Consolidated Financial Information

Introduction
We have reviewed the interim condensed consolidated financial information of Medacta Group SA, which comprises the interim consolidated statement of financial position as at 30 June 2022, the interim consolidated statement of profit or loss, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes to the interim condensed financial Information (from page 18 to page 32).

Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information for the six-month ended 30 June 2022 are not prepared, in all material respects in accordance with IAS 34 – "Interim Financial Reporting".

Deloitte SA

Fabien Lussu	Michele Castiglioni
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Lugano, 8 September 2022

INVESTOR CALENDAR

13, 14, 15 SEPTEMBER
2022

INTERNATIONAL
INVESTOR ROADSHOW

16 SEPTEMBER
2022

J.P. MORGAN CEO
CALL SERIES

10 NOVEMBER
2022

UBS EUROPEAN
VIRTUAL CONFERENCE

16 NOVEMBER
2022

CREDIT SUISSE EQUITY
FORUM SWITZERLAND

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Discover more
www.medacta.com/EN/home-investors-global

FORWARD-LOOKING INFORMATION DISCLAIMER

This Half-Year Report has been prepared by Medacta and includes forward-looking information and statements concerning the outlook for its business. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates”, “targets”, “plans”, “outlook” or similar expressions.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this Report. The Covid-19 outbreak has caused, and may continue to cause, economic instability and a significant decrease of total economic output in the affected areas and globally. The impact of the Covid-19 outbreak on the general economic environment in the markets in which Medacta operates remain uncertain and could be significant. In addition, other important factors that could cause such differences include: changes in the global economic conditions and the economic conditions of the regions and markets in which the Group operates; changes in healthcare regulations (in particular with regard to medical devices); the development of our customer base; the competitive environment in which the Group operates; manufacturing or logistics disruptions; the impact of fluctuations in foreign exchange rates; and such other factors as may be discussed from time to time. Although we believe that our expectations reflected in any such forward-looking statement are based upon reasonable assumptions, we can give no assurance that those expectations will be achieved.

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