Medacta International

HALF-YEAR REPORT 2023

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 50 countries.

From minimally invasive surgery to
Personalized Medicine and beyond

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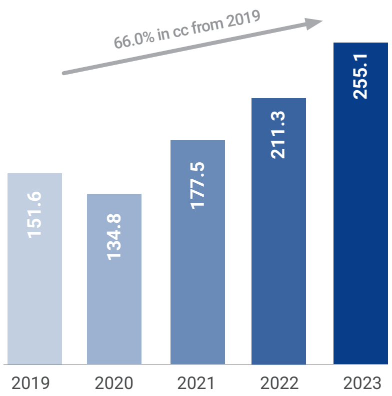
HALF-YEAR 2023 KEY FINANCIAL FIGURES

REVENUES

EUR 255.1M

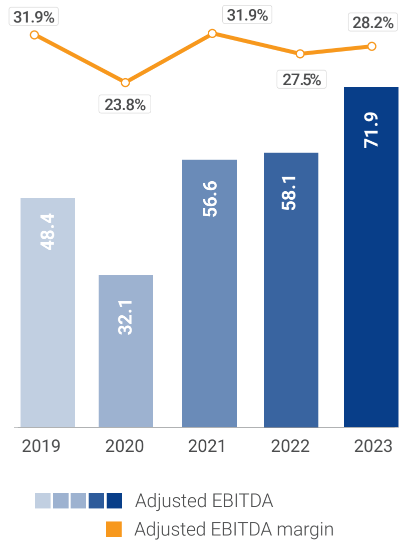
20.8% growth at reported currency (21.4% cc[1])
66.0% growth in constant currency[1] from 2019



ADJUSTED EBITDA[2]

EUR 71.9M

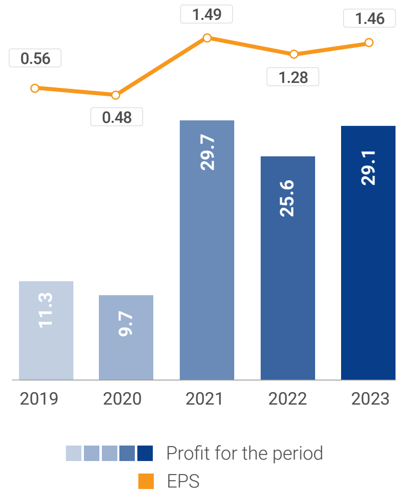
28.2% Adjusted EBITDA Margin[3]



PROFIT FOR THE PERIOD

EUR 29.1M

EUR 1.46 Basic EPS[4]
EUR 1.46 Diluted EPS[4]



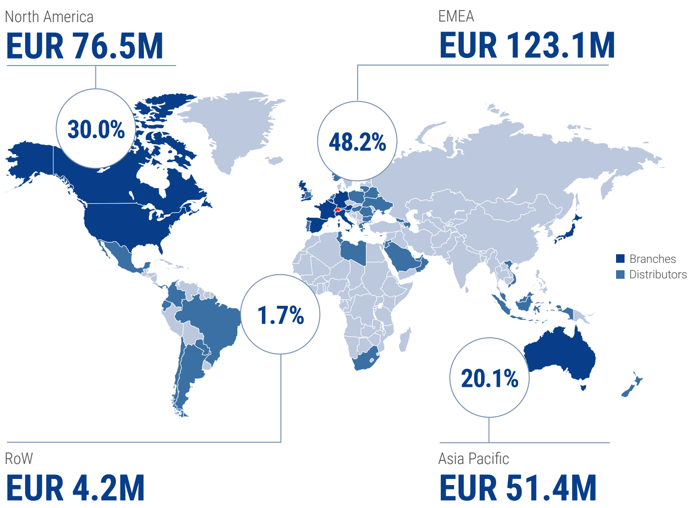
[1] Is calculated as the difference between the current and historical period results translated using the previous period exchange rates.

[2] Is calculated as EBITDA, adjusted for non-recurring items: provisions on litigations and extraordinary legal expenses.

[3] Adjusted EBITDA margin, is calculated as adjusted EBITDA as a percentage of Revenue for the period.

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

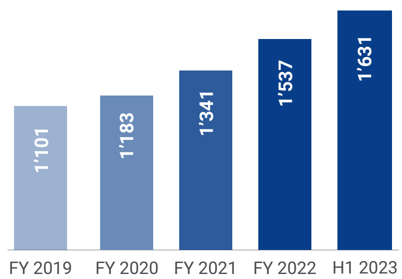
COUNTRY PRESENCE



PERIOD-END EMPLOYEES TOTAL

1’631

94 new jobs added in the first six months of 2023



HIGHLIGHTS FIRST HALF 2023*

- Medacta's half-year 2023 revenue increased to Euro 255.1 million, or 21.4% at constant currency (20.8% at reported currency);
- Strong performance in every business line, with stellar performance in Knee and Shoulder;
- Adjusted EBITDA grew to Euro 71.9 million, corresponding to 28.2% margin, including a negative FX translation effect of 1.6%;
- Continued focus on Medical Education and Salesforce expansion in all business lines and geographies;
- Robust supply chain able to support an accelerated growth;
- Outlook FY 2023: revenue growth in c.c. expected in the range of 15% to 18% and adjusted EBITDA in c.c. is predicted to remain largely in line with 2022, in the absence of unforeseen events.

REPORTED PERFORMANCE MEASURES

(Million Euro)	**30.06.2023**	30.06.2022
Revenues	255.1	211.3
Gross Profit	175.9	148.4
Profit for the period	29.1	25.6
Alternative Performance Measures:		
EBITDA	71.1	56.8
Adjusted EBITDA*	71.9	58.1
Adjusted EBITDA margin*	28.2%	27.5%
Free Cash Flow	(5.3)	(5.1)
Adjusted Free Cash Flow**	0.2	3.8

(Million Euro)	**30.06.2023**	**31.12.2022**
Total Assets	644.6	584.5
Total Equity	297.6	274.7
Equity Ratio	46.2%	47.0%
Number of employees	1'631	1'537

* Adjusted in 2023 for extraordinary legal expenses (Euro 0.3 million) and extraordinary MDR transition costs (Euro 0.5 million). The reconciliation is provided in the "Alternative Performance Measures" section of this Report.

** Adjusted in 2023 for extraordinary legal expenses (Euro 0.3 million), for the settlement of legal claims (Euro 1.9 million), MDR transition costs (Euro 0.5 million), non-recurring investments in Castel San Pietro (Euro 2.8 million). Please see the "Alternative Performance Measures" section of this report 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. 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, 2023*	19'957'518
Nominal value per registered share (in CHF)	0.10
Number of treasury shares *as of June 30, 2023*	42'482

DATA PER SHARE

(Swiss Francs)	**30.06.2023**
2023 High (in CHF) *for the period January - June 2023*	123.40
2023 Low (in CHF) *for the period January - June 2023*	95.40
Closing price (in CHF)	121.80
Market capitalization (in CHF billion)	2.4

HALF-YEAR 2023 RELATIVE SHARE PRICE DEVELOPMENT

Index base 100 calculation
Source: Refinitiv

The surgeon is never alone
when discovering new technologies

LETTER TO SHAREHOLDERS

Dear Shareholders,

We are proud to report a record closing in the first half of 2023. We achieved 21.4% revenue growth in constant currency compared to prior period and, although our material investments to sustain the growth, we were able to increase our Adjusted EBITDA margin by 70 basis points from 27.5% in H1 2022 to 28.2% in H1 2023. Our strategic investments in strengthening our supply chain paid off and allowed us to serve new customers, cope with possible shortages, and capture market opportunities. This performance once again proves the effectiveness of our strategy for remarkable gains in market share and provides confidence in our ability to execute the long-term value creation strategy.

OUR ACHIEVEMENTS

We remain dedicated to improve patient outcomes through innovative minimal invasive techniques and personalized solutions, maintaining at the same time a strong focus on healthcare sustainability.

Our Medical Education programs are central to our value creation strategy. In March 2023, we completed the 500th M.O.R.E. AMIS Learning Center, providing surgeons with a tailored and comprehensive program to allow for AMIS (Anterior Minimally Invasive Surgery) technique proficiency.

MySolutions Personalized Ecosystem remains key to deliver our growth strategy across all our Product Lines.

On the Knee side we are experiencing a tremendous acceleration thanks to our GMK Sphere coupled with the MyKA personalised alignment technique. This combination is significantly improving patient reported outcomes and is gaining traction in the market thanks to a growing scientific evidence.

On the Shoulder side new studies have confirmed the high level of accuracy of our NextAR Shoulder while on the Spine we can count on almost 40% of our pedicle screws associated with either NextAR Spine or MySpine.

We continued to ensure a strong supply chain through strategic investments. In March 2023 we celebrated the opening of a new distribution facility in Memphis, TN, USA.

With this expansion we now occupy over 108'000 square feet in a newly constructed facility, and have implemented a new operating model to minimize costs while enabling more effective central distribution. This expanded footprint allows for greater stocking levels and on-hand inventory and features new offices, meeting spaces, and a demonstration room to accommodate tours and training. It also works in complete synergy with the headquarters of Medacta USA in the greater Nashville area, providing cutting-edge medical devices to surgeons throughout the United States.

During the semester, 94 new jobs were added to support operations and a continued salesforce expansion across all geographies and business lines.

GROWTH IN ALL REGIONS AND BUSINESS LINES*

In the first semester 2023, revenue increased 21.4% at constant currency and 20.8% on reported currency over the prior period, at EUR 255.1 million, with positive contributions from all business lines and geographies. This is a result of an effective commercial development strategy, in a market that is progressively recovering the accumulated backlog in some key areas (mainly in Australia and US). Currency development had a negative impact on our top line with a headwind of 0.6%, mainly due to the strengthening of the Euro against the Australian Dollar and the Japanese Yen, only partially compensated by the Euro weakening against the Swiss Franc and the US Dollar.

In terms of geographic trends, every market recorded positive performance thanks to an extremely supportive trend in Europe, progressive recovery in North America, and the end of Covid-19 restrictions in Australia. Revenue in EMEA grew 24.0% at constant currency, to EUR 123.1 million. This result was driven by strong growth across all active countries, with significant contributions from both existing and new customers. Revenue in North America increased 17.9% in constant currency to EUR 76.5 million, thanks to a solid recovery of sales volume in existing customers and through new customer acquisition, especially in Knee and Shoulder. Revenue in Asia Pacific grew by 22.0% at constant currency, to EUR 51.4 million. In Australia, we had a positive contribution from the end of Covid-19 restrictions, the "Public in Private" Covid-19 recovery plan and an increase of new customers. Japan continues with a very positive growth trend across all business lines, partially offset by expected government price reductions (especially in Spine). Revenue in RoW was EUR 4.2 million with an increase of 9.7% in constant currency.

In terms of trends by business line, revenue from our Hip products increased revenue by 15.7% on a constant currency basis, to EUR 116.4 million, with good performance in all geographies mainly driven by our Anterior Minimally Invasive Surgery Approach (AMIS). Revenue from our Knee offerings grew by 27.7% at constant currency, to EUR 98.5 million, with our personalized solutions and GMK Sphere - MyKA offer driving strong performance in every market. Our Extremities business line reported an increase in revenue of 38.7% in constant currency to EUR 17.9 million, primarily attributable to Shoulder supported by Medacta Shoulder System (MyShoulder and NextAR). The Sportsmed business continues to develop with expected acceleration in the second half of the year. Revenue from our Spine offering increased by 15.0% at constant currency, to EUR 22.4 million, thanks to a significant contribution from EMEA and USA regions. Growth in APAC was partially offset by price cuts in Japan. Good acceleration was achieved on NextAR Spine utilization in the last months of the first half.

GROSS PROFIT PERFORMANCE *

The Gross Profit was EUR 175.9 million compared to EUR 148.4 million in the previous period. The Gross Profit margin was equal to 68.9% compared to 70.2% in the first semester of 2022. The change was primarily affected by a material negative currency development due to the weakening of the Euro against Swiss Franc, less favourable geographic mix contributions, and price erosion in certain countries. This reduction was only partially compensated by the leverage on depreciation from higher sales volumes. Inflation had a limited impact on our industrial costs.

ADJUSTED EBITDA MARGIN *

The Adjusted EBITDA amounted to EUR 71.9 million (EUR 58.1 million in H1 2022), corresponding to a margin of 28.2% compared to 27.5% in H1 2022. This result reflects primarily the leverage on fixed costs from higher sales volumes and from variable expenses that increased but at a lower pace than revenue contributing to an increase in EBITDA margin partially offset by gross profit erosion. Currency development had a negative impact of approximately 1.6% on our operational costs, primarily due to Swiss Franc and US Dollar which strengthened respectively by 4.7%, and 1.1% from prior period.

ADJUSTED EBIT MARGIN*

The Adjusted EBIT amounted to EUR 43.8 million, 17.2% on revenue, compared to EUR 33.7 million, 16.0% on revenue, in the first semester 2022. The change of margin was due to the increase of EBITDA and a positive contribution from the leverage on depreciation and amortisation from higher sales volumes.

*__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. 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.

Francesco Siccardi   Dr. Alberto Siccardi

SOLID BALANCE SHEET

Medacta's balance sheet further strengthened, with total assets increasing to EUR 644.6 million and an equity ratio of 46.2% at the end of the reporting period. The Adjusted Free Cash Flow generated in the first semester 2023 amounted to positive EUR 0.2 million (positive EUR 3.8 million in H1 2022), after EUR 25.4 million (EUR 11.9 million in H1 2022) investments in implants and EUR 34.4 million (EUR 32.2 million in H1 2022) in new instruments to enable the expected future growth of the business.

STOCK PRICE GROWTH

The Medacta stock price is experiencing a material growth in 2023. The stock performance in half year 2023 is equal to 18% growth compared with 8% of the SPI Swiss Performance index.

OUTLOOK

Based on the positive business performance recorded in the first semester, we update our guidance of full-year revenue growth at constant currency in the range of 15% to 18% (previously "10% - 13%"). Adjusted EBITDA margin at constant currency is expected to remain largely in line with 2022, subject to any unforeseen events.

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

The financial information provided in the selected sections of the 2023 Half-Year Report, including "Highlights first half 2023", "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 CORE results exclude effects related to: provisions and release of prior periods provisions for legal claims; extraordinary legal expenses; restructuring costs; one-off settlements or amendments to pension plans; PPA (Purchase Price Allocation) one-off items following acquisitions and amortisation of the resulting intangible assets; impairments or write-offs of financial and non-financial assets as a result of unusual or one-time events; 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 2023 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, 2023 and 2022. 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.

2023 CORE RESULTS RECONCILIATION

June 30, 2023 (Thousand Euro)	IFRS	Legal costs[1]	MDR costs[2]	CORE[3]
Revenues	255'141	-	-	255'141
Cost of Sales	(79'275)	-	-	(79'275)
GROSS PROFIT	**175'866**	**-**	**-**	**175'866**
Research and Development expenses	(9'590)	-	470	(9'120)
Sales and Marketing expenses	(89'457)	-	-	(89'457)
General and Administrative expenses	(34'306)	336	-	(33'970)
Other income	1'139	-	-	1'139
Other expenses	(697)	-	-	(697)
OPERATING PROFIT (EBIT)	**42'955**	**336**	**470**	**43'761**

OPERATING PROFIT (EBIT)	**42'955**	**336**	**470**	**43'761**
Depreciation, amortisation and impairment	28'129	-	-	28'129
EBITDA	**71'084**	**336**	**470**	**71'890**
EBITDA MARGIN	**27.9%**			**28.2%**

[1] Legal costs incurred in H1 2023 are related to the extraordinary expenses incurred by the Group on litigations, refer to Note 6.8 "Litigations".
[2] MDR costs in H1 2023 refer to the extraordinary expenses incurred by the Group on the transition to comply the new regulation.
[3] References to "Adjusted" are the equivalent to "CORE" references (i.e. Adjusted EBITDA and CORE EBITDA are interchangeable).

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.
[2] Legal costs in H1 2022 refer to the extraordinary expenses incurred by the Group on litigations.
[3] MDR costs in H1 2022 refer to the extraordinary expenses incurred by the Group on the transition to comply the new regulation.
[4] 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)	30.06.2023	30.06.2022
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**37'466**	**31'097**
Adjustments for:		
Legal costs	336	768
Settlement of legal claims[1]	1'851	2'151
Extraordinary MDR Costs[2]	470	207
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**40'123**	**34'223**
CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(42'766)**	**(36'223)**
Adjustments for:		
Rancate investments[3]	-	1'008
Levante Medica asset purchase acquisition[4]	-	194
Land acquisition and plant expansion[5]	2'801	4'629
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(39'965)**	**(30'392)**
FREE CASH FLOW	**(5'300)**	**(5'126)**
Total adjustments	5'458	8'957
ADJUSTED FREE CASH FLOW	**158**	**3'831**

[1] Settlement of legal claims is related to the payment for the settlement agreements with MicroPort, amounting to Euro 1'851 thousand in 2023 (Euro 1'831 thousand in H1 2022) and RSB (Euro 320 thousand in H1 2022).
[2] EU Medical Devices Regulation (MDR).
[3] In the first six months of 2022, Medacta invested Euro 1'008 thousand in creating new offices in our Rancate site.
[4] In 2022, Medacta paid out Euro 194 thousand for the asset acquisition of Levante Medica 2008 S.L. completed in 2021.
[5] In the first six months of 2023, Medacta invested Euro 2'801 thousand (Euro 4'629 thousand in H1 2022) for the strategic investments in land and buildings 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 effects related to: provisions and release of prior periods provisions for legal claims; extraordinary legal expenses; restructuring costs; one-off settlements or amendments to pension plans; PPA (Purchase Price Allocation) one-off items following acquisitions and amortisation of the resulting intangible assets; impairments or write-offs of financial and non-financial assets as a result of unusual or one-time events; other one-time items that may vary significantly over periods.

EBITDA
EBITDA is a non-IFRS measure that represents profit or loss for the period before finance costs, finance income, income taxes, depreciation and amortisation. 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 amortisation.

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 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 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.

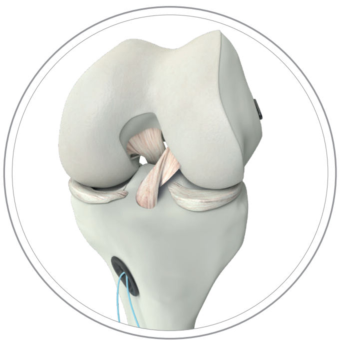
Medacta International

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

JOINT

SPINE

SPORTS MED



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

1. INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022

	Unaudited	Unaudited
(Thousand Euro)	**30.06.2023**	**30.06.2022**
Revenues	255'141	211'271
Cost of Sales	(79'275)	(62'881)
GROSS PROFIT	**175'866**	**148'390**
Research and Development expenses	(9'590)	(7'725)
Sales and Marketing expenses	(89'457)	(77'096)
General and Administrative expenses	(34'306)	(30'858)
Other income	1'139	518
Other expenses	(697)	(803)
OPERATING PROFIT(EBIT)	**42'955**	**32'426**
Financial income	2'755	3'899
Financial costs	(9'510)	(5'783)
PROFIT BEFORE TAXES	**36'200**	**30'542**
Income taxes	(7'057)	(4'916)
PROFIT FOR THE PERIOD	**29'143**	**25'626**

ATTRIBUTABLE TO		
Equity holders of the parent	29'143	25'626
Non-controlling interests	-	-
BASIC EARNINGS PER SHARE	**1.46**	**1.28**
DILUTED EARNINGS PER SHARE	**1.46**	**1.28**

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, 2023 AND 2022

(Thousand Euro)	Unaudited 30.06.2023	Unaudited 30.06.2022
PROFIT FOR THE PERIOD	**29'143**	**25'626**
OTHER COMPREHENSIVE INCOME		
Remeasurements of defined benefit obligations	(678)	6'473
Tax effect on remeasurements of defined benefit obligations	117	(1'122)
TOTAL ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(561)**	**5'351**
Currency translation differences	4'329	5'863
TOTAL ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**4'329**	**5'863**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**3'768**	**11'214**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**32'911**	**36'840**
ATTRIBUTABLE TO		
Equity holders of the parent	32'911	36'840
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, 2023 AND DECEMBER 31, 2022

ASSETS	Unaudited	Audited
(Thousand Euro)	**30.06.2023**	**31.12.2022**
Property, plant and equipment	205'399	188'235
Right-of-use assets	39'844	30'264
Goodwill and intangible assets	49'886	50'188
Other non-current financial assets	427	481
Deferred tax assets	26'877	31'659
TOTAL NON-CURRENT ASSETS	**322'433**	**300'827**
Inventories	186'481	160'301
Trade receivables	89'295	77'957
Other current financial assets	4'041	802
Other receivables and prepaid expenses	14'687	12'340
Cash and cash equivalents	27'689	32'261
TOTAL CURRENT ASSETS	**322'193**	**283'661**
TOTAL ASSETS	**644'626**	**584'488**

LIABILITIES AND EQUITY	Unaudited	Audited
(Thousand Euro)	**30.06.2023**	**31.12.2022**
Share capital	1'775	1'775
Capital contribution reserve	10'735	16'018
Retained earnings and other reserves	259'609	235'718
Foreign currency translation reserve	25'473	21'144
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**297'592**	**274'655**
Non-controlling interests	-	-
EQUITY	**297'592**	**274'655**
Non-current financial liabilities	130'584	137'592
Other non-current liabilities	2'724	4'649
Non-current provisions	3'820	3'678
Retirement benefit obligation	9'999	8'862
Deferred tax liabilities	44'953	44'619
Non-current lease liabilities	29'583	21'371
TOTAL NON-CURRENT LIABILITIES	**221'663**	**220'771**
Trade payables	40'725	28'480
Other current liabilities	18'106	15'515
Current financial liabilities	29'028	7'091
Current provisions	120	120
Accrued expenses and deferred income	29'647	31'494
Current lease liabilities	7'745	6'362
TOTAL CURRENT LIABILITIES	**125'371**	**89'062**
TOTAL LIABILITIES	**347'034**	**309'833**
TOTAL LIABILITIES AND EQUITY	**644'626**	**584'488**

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, 2023 AND 2022

	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, 2023	**1'775**	**16'018**	**239'877**	**(4'159)**	**21'144**	**-**	**274'655**
Profit for the period	-	-	29'143	-	-	-	29'143
Remeasurements of defined benefit obligations	-	-	(678)	-	-	-	(678)
Tax effect on remeasurements of defined benefit obligations	-	-	117	-	-	-	117
Currency translation differences	-	-	-	-	4'329	-	4'329
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**28'582**	**-**	**4'329**	**-**	**32'911**
Dividends paid	-	(5'283)	(5'283)	-	-	-	(10'566)
Purchase of treasury shares	-	-	-	(312)	-	-	(312)
Share-based payment transactions	-	-	904	-	-	-	904
BALANCE JUNE 30, 2023	**1'775**	**10'735**	**264'080**	**(4'471)**	**25'473**	**-**	**297'592**

	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**

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, 2023 AND 2022

(Thousand Euro)	Unaudited 30.06.2023	Unaudited 30.06.2022
PROFIT FOR THE PERIOD	**29'143**	**25'626**
Adjustments for:		
Income taxes	7'057	4'916
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	28'129	24'333
(Gain) / loss on disposal of tangible and intangible assets	(64)	(47)
Foreign exchange result	2'747	2'374
Interest expenses	2'446	1'020
Change in Provisions and Retirement benefit obligations	2'362	2'183
Share-based payments expense	883	525
Income taxes paid	(3'280)	(5'117)
Interest paid	(2'528)	(1'017)
(Increase) / decrease in trade receivables	(13'286)	(15'844)
(Increase) / decrease in other receivables and prepaid expenses	(2'280)	847
(Increase) / decrease in inventories	(25'351)	(11'948)
Increase / (decrease) in trade payables	11'930	3'921
Increase / (decrease) in other liabilities and accruals	(442)	(675)
CASH FLOW FROM OPERATING ACTIVITIES	**37'466**	**31'097**
Purchase of tangible assets	(37'423)	(34'769)
Purchase of intangible assets *	(5'235)	(3'841)
Proceeds from disposal of tangible assets	3'060	2'572
Cash consideration for acquisitions, net of cash acquired	-	(194)
Investments in financial assets	(3'168)	9
CASH FLOW FROM INVESTING ACTIVITIES	**(42'766)**	**(36'223)**
Proceeds from borrowings	29'590	33'730
Repayment of borrowings	(14'279)	(10'234)
Repayment of lease liabilities	(3'900)	(3'402)
Dividends paid	(10'566)	(10'418)
Purchase of treasury shares	(312)	(1'129)
CASH FLOW FROM FINANCING ACTIVITIES	**533**	**8'547**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4'767)**	**3'421**
Cash and cash equivalents at the beginning of the period	32'261	20'404
Net effect of currency transaction on cash and cash equivalent	195	(1'584)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**27'689**	**22'241**

* "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

MACROECONOMIC ENVIRONMENT

The global economy is facing significant uncertainties, geopolitical conflict, increased inflationary pressures partially due to global supply chain disruptions, labor shortages, recovery and/or stabilization of the Covid-19 pandemic and other macro pressures which we anticipate will continue.

The military conflict in Russia and Ukraine has resulted in the implementation of sanctions by the EU, Switzerland, United States and other governments against Russia and has caused significant volatility and disruptions to the global markets. However, our direct exposure is very limited. In 2023, we did not have any sales in Russia, while in Ukraine we accounted for only Euro 0.7 million in 2023 (Euro 1.1 million in full-year 2022). 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 0.5 million receivables towards Ukrainian clients that were entirely written off in 2023.

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 our Enterprise Risk Management process is focusing on both supply chain, inflationary risks and cyberattacks, to identify specific actions needed to mitigate the impact on our performance. Our 2023 profitability was impacted from the inflationary costs, which we expect to reduce in the second half of 2023. Also, if the war expands beyond Ukraine or further intensifies, it could have an adverse impact on our operations in Europe. 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. 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 and 2023 periodic training and awareness sessions in the cyber environment have been planned for all our Group employees.

Higher interest rates and capital costs, increased costs of labor and volatile foreign currency exchange rates are creating additional economic challenges. Management assessed the list of internal and external indicators provided by IAS 36 and, even considering the impact of the current macroeconomic environment in the half-year economic performance, does not believe that as of June 30, 2023 there are observable indicators that Medacta assets' value may be impaired. External sources of information such as adverse effects on market interest rates, market capitalization and market development showed only temporary impact. The internal sources of information assessed indicate that mid and long-term fundamentals on the expected economic performance have not changed.

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, 2023. 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, 2022. The Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on September 21, 2023.

The principles and standards utilized 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 in the half-year ended June 30, 2023, consistently with the year ended December 31, 2022, are the following: leases (application of IFRS16); development costs (application of IAS 38).

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, 2023, consistently with the year ended December 31, 2022, are 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, 2022, except for the adoption of new standards effective as of January 1, 2023.

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, 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).

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, 2024);
- amendments to IFRS 16, "Lease liability in sale and leaseback" (effective for annual reporting periods beginning on or after January 1, 2024);
- amendments to IAS 7, "Statement of Cash Flows and IFRS 7 Financial Instruments - Disclosures: Supplier Finance Arrangements" (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU);
- amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The 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 are 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 2023	H1 2022	30.06.2023	31.12.2022
CHF	1.0149	0.9694	1.0238	1.0108
GBP	1.1413	1.1875	1.1644	1.1303
AUD	0.6255	0.6584	0.6110	0.6366
USD	0.9255	0.9157	0.9166	0.9344
JPY	0.0069	0.0075	0.0063	0.0071
CAD	0.6867	0.7200	0.6923	0.6895

COMPOSITION OF THE GROUP

Entities included in the scope of consolidation are listed below:

Company	% of shares held June 2023	% of shares held June 2022	Registered office	Registered Capital	Consolidation Method
Medacta Group SA	N/A	N/A	Castel San Pietro (CH)	2'000'000 CHF	Parent company
Knnex Health Inc. *	100%	-	Wilmington - Delaware (US)	100 USD	Full Consolidation
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%	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)	18'550 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 Europe Operations S.r.l. **	100%	-	Milan (IT)	100'000 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%	Wilmington - Delaware (US)	1 USD	Full Consolidation

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

** This is a legal entity formed as of November 2022 in Milan - Italy.

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 2023 our performance has been still affected by the pandemic recovery, significant customer acquisition, salesforce expansion and product introduction. This situation could have an impact on the weights of revenue and cost to be incurred in the second semester compared to the first semester 2023.

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, 2023 and December 31, 2022.

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, 2023 (Thousand Euro)	**Asset and Liabilities at amortised cost**	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**	**Fair Value**
Other non-current financial assets	427	-	-	-	**427**	-
Trade receivables	89'295	-	-	-	**89'295**	-
Other current financial assets	3'220	-	821	-	**4'041**	-
Cash and cash equivalents	27'689	-	-	-	**27'689**	-
Non-current financial liabilities	130'584	-	-	-	**130'584**	-
Other non-current liabilities	2'724	-	-	-	**2'724**	-
Non-current lease liabilities	29'583	-	-	-	**29'583**	-
Trade payables	40'725	-	-	-	**40'725**	-
Other current liabilities	18'106	-	-	-	**18'106**	-
Current financial liabilities	29'028	-	-	-	**29'028**	-
Current lease liabilities	7'745	-	-	-	**7'745**	-

	Carrying amount (based on measurement basis)					
		Assets / Liabilities as FVTPL				
As at December 31, 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	481	-	-	-	**481**	-
Trade receivables	77'957	-	-	-	**77'957**	-
Other current financial assets	-	-	802	-	**802**	-
Cash and cash equivalents	32'261	-	-	-	**32'261**	-
Non-current financial liabilities	137'592	-	-	-	**137'592**	-
Other non-current liabilities	4'649	-	-	-	**4'649**	-
Non-current lease liabilities	21'371	-	-	-	**21'371**	-
Trade payables	28'480	-	-	-	**28'480**	-
Other current liabilities	15'515	-	-	-	**15'515**	-
Current financial liabilities	7'091	-	-	-	**7'091**	-
Current lease liabilities	6'362	-	-	-	**6'362**	-

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, 2023.

6.5 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 2023 and 2022 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, 2023.

INFORMATION BY GEOGRAPHIC AREA

The Group operates in EMEA (which includes Europe, Middle East and African countries), 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 Latin America). In 2023 the Group reorganized the key geographic areas introducing the EMEA region, which includes the former “Europe” region and certain countries originally included in the Rest of the World. 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		Unaudited	Audited
	30.06.2023		30.06.2022	31.12.2022
SALES AND PROPERTY, PLANT AND EQUIPMENT (Thousand Euro)	Net sales	Property, plant and equipment	Net sales	Property, plant and equipment
EMEA *	123'066	153'933	98'459	154'529
North America	76'458	49'055	64'199	31'057
Asia Pacific	51'397	2'411	44'802	2'649
RoW *	4'220	-	3'811	-
TOTAL CONSOLIDATED	**255'141**	**205'399**	**211'271**	**188'235**

* In 2023 we reorganized the key geographic areas introducing the EMEA region. EMEA includes revenue from the former Europe region and certain countries originally included in the Rest of the World region (ROW). 1H 2022 figures have been restated accordingly.

ANALYSIS OF REVENUE

The following table presents revenue of the Group’s product lines for the six-month period ended June 30, 2023 and 2022 respectively:

	Unaudited	Unaudited
(Thousand Euro)	30.06.2023	30.06.2022
Hip	116'400	101'395
Knee	98'488	77'245
Shoulder	16'882	12'334
Spine	22'380	19'766
Sportsmed	991	531
TOTAL	**255'141**	**211'271**

6.6 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 shares 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 4, 2023, Medacta Group SA paid a dividend of CHF 0.54 (on May 25, 2022: CHF 0.535) 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 10.8 million (2022: CHF 10.7 million), 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	Unaudited
	30.06.2023	**30.06.2022**
Net profit attributable to shareholders (in Euro thousand)	29'143	25'626
Weighted average number of ordinary shares outstanding	19'959'706	19'984'347
BASIC EARNINGS PER SHARE (in Euro)	**1.46**	**1.28**

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 above is compared with the number of shares that would have been issued assuming the exercise of the Performance Share Units.

	Unaudited	Unaudited
	30.06.2023	**30.06.2022**
Net profit used to determine diluted earnings per share (in Euro thousand)	29'143	25'626
Weighted average number of ordinary shares outstanding	19'959'706	19'984'347
Adjustments for performance stock units issued	31'071	10'646
Weighted average number of ordinary shares for diluted earnings per share	19'990'777	19'994'993
DILUTED EARNINGS PER SHARE (in Euro)	**1.46**	**1.28**

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 2023 Medacta Group SA, decided to repurchase its own outstanding shares to fund the share-based compensation award cycles. Treasury shares are valued at weighted average cost and have been deducted from equity. As of June 30, 2023 the number of treasury shares amounted to 42’482 out of which 2’625 purchased in the first six months of 2023.

RETAINED EARNINGS

Retained Earnings 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.

6.7 TAXES

The Group's Income taxes for the half-year period ended June 30, 2023 amount to Euro 7'057 thousand compared to Euro 4'916 thousand as of June 30, 2022, corresponding to an effective tax rate of 19.5% and 16.1% respectively.

The Group's effective tax rate was negatively affected by a change in the Group's profit mix, mainly because of a one-off transaction that occurred in the half-year 2023, related to the creation of a logistic company in the United States; this transaction resulted in lower taxable income in Medacta International.

6.8 LITIGATIONS

PATENT MATTERS

MIGHTY OAK MEDICAL VS MEDACTA USA AND MEDACTA INTERNATIONAL

A patent infringement case was filed on December 22, 2022 against Medacta USA and Medacta International in the District of Delaware. The plaintiff is Mighty Oak Medical, and it is alleging infringement of five patents by several of the MySpine products. They are also alleging that the infringement has been willful. Medacta has responded to the complaint by moving to dismiss one patent from the case and asserting non-infringement and invalidity for the other asserted patents.

The case is still pending and at this stage of the proceedings, we are unable to conclude the likelihood of an unfavourable outcome. Accordingly, in connection with this matter we have not made any provisions.

DISTRIBUTION INTELLIGENCE SYSTEMS, LLC V. MEDACTA USA, INC.

On May 15, 2023, Distribution Intelligence Systems filed a patent infringement complaint in the District of Delaware (USA) alleging that one patent is infringed by Medacta's MectaLock Peek Suture Anchor.

Distribution Intelligence Systems is seeking monetary damages, and an injunction, and it has alleged that the infringement has been willful. Medacta has not yet responded to the complaint. The parties have discussed an early resolution of the lawsuit, with the plaintiff making different settlement demands, and Medacta USA making a counteroffer. The parties are continuing to discuss a possible settlement that would include a license to all patents owned by the plaintiff. Medacta believes the accused product does not infringe the patent-in-suit.

The case is still pending and at this stage of the proceedings, we are unable to conclude the likelihood of an unfavourable outcome. Accordingly, in connection with this matter we have not made any provisions.

ITALIAN PAYBACK SCHEME LITIGATION

Medacta legal representation, along with all the Italian Medical devices associations, decided to appeal the deeds of the Regions which asked for the payback amounts by January 30, 2023 (deadline postponed by the Government to October 30, 2023), along with the relevant Decrees of the Ministry of Health, implementing the payback system. The grounds for the aforementioned appeals essentially concern the unconstitutionality of the payback request measures for violation of the principle of reasonableness, proportionality and transparency of administrative action. Pursuant to the provisions of Law No. 51/2023, the recipients of the payback requests have the option to pay, by October 30, 2023, the reduced amounts (48% of the total amount), if they waive the litigation. However, Medacta has decided to continue the litigation.

All the requests to temporarily suspend the effects of the regional measures contained in the appeals, have recently been upheld by the Administrative Court of Lazio. The trials will be continued to have a final decision in the merit. The first hearing to discuss the payback in the merit is set for October 24, 2023: so far, it's unknown whether Medacta's appeals will be dealt during such hearing, but the outcome of this hearing will provide evidence of the Administrative Court's general orientation on payback.

In connection with the above litigation, the Group recognised a provision of approximately Euro 3.1 million accrued in 2022.

6.9 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 of 2023 Medacta International made contributions to Medacta for Life Foundation for Euro 254 thousand, a non-profit organization owned by the Siccardi Family.

In January 2023 Medacta purchased building indexes in Castel San Pietro on a land destinated to the manufacturing plant expansion from Verve SA, a company owned by the Siccardi Family, for a total amount equal to Euro 1'560 thousand.

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 of 2023 are recognised in the General and Administrative expense line item for an amount equal to Euro 18 thousand.

In the first six months of 2023, Victor Balli, member of the Board of Directors, purchased 1'000 share units and Riccardo Braglia, member of the Board of Directors, sold 10'860 share units.

6.10 ATYPICAL AND/OR UNUSUAL OPERATIONS

During the first six months of 2023, the Group did not carry out any atypical and/or unusual operations.

6.11 CONTINGENCIES AND COMMITMENTS

The Group, as of June 30, 2023, contracted purchase commitments, mainly relating the acquisition of instruments, for a total amount of Euro 23.6 million (as of December 31, 2022: Euro 28.4 million).

As of June 30, 2023, tangible fixed assets for a total amount of Euro 20'259 thousand (as of December 31, 2022: Euro 20'267 thousand) have been pledged as collateral for borrowing facilities.

The Group as of June 30, 2023 and as of December 31, 2022 had unused current credit lines of Euro 96'795 thousand and Euro 109'316 thousand, respectively.

6.12 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, 2023.

7. INDEPENDENT AUDITOR'S REPORT

Deloitte SA
Via Ferruccio Pelli 1
Casella Postale 1366
6901 Lugano
Svizzera

Telefono: +41 (0)58 279 9400
Fax: +41 (0)58 279 9500
www.deloitte.ch

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 2023, 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 20 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 interim condensed consolidated financial information for the six-month ended 30 June 2023 are not prepared, in all material respects in accordance with IAS 34 – "Interim Financial Reporting".

Deloitte SA

Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Michele Castiglioni
Licensed Audit Expert

Lugano, 21 September 2023

INVESTOR CALENDAR

25-26 SEPTEMBER 2023	17 OCTOBER 2023	16 NOVEMBER 2023	6 DECEMBER 2023
NON DEAL ROADSHOW POST H1 2023 RESULTS	FIRESIDE CHAT RESEARCH PARTNERS	EQUITY FORUM SWITZERLAND BY CREDIT SUISSE	MEDTECH ORTHOPAEDICS DAY BY STIFEL

FORWARD-LOOKING INFORMATION DISCLAIMER

This Half-Year Report has been prepared by Medacta and includes forward-looking information and statements concerning the outlook for our 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. 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.

RELATED TRADEMARKS

Medacta Group Related Trademarks are registered at least in Switzerland.
The products and services listed below may not be all inclusive, and other Medacta products and services not listed below may be covered by one or more trademarks. The below products and services may be covered by additional trademarks not listed below. Note that Swiss trademarks may have foreign counterparts.
3D Metal®, 3D Metal® B-Cage, AMIS®, AMIS® Bikini®, AMIS®-K Long, Augments 3D Metal®, GMK® Efficiency, GMK® Hinge, GMK® Primary, GMK® Revision, GMK® System, GMK® Sphere, GMK® UNI, E-Cross®, M-ARS ACL®, M.U.S.T.®, M.U.S.T.® LT, M.U.S.T.® MC, M.U.S.T.® Mini, MasterLoc®, Mecta-C® System, Mecta-C®, Stand Alone, Mecta®Fix, Mecta®Grip, MectaLIF® Anterior, MectaLIF® System, Mecta®Lock, Mecta®Lock PEEK, Mecta®Lock C, Mecta®Lock TI, Mecta®QTH, Mecta®Screw, Mecta®Tap TI, MiniMAX®, Mpact®, Mpact® 3D Metal®, Mpact® 3D Metal® Multi-Hole, Mpact® Multi-Hole, Mpact® System, MOTO® Lateral, MOTO® Medial, MOTO® PFJ, MOTO® System, MyHip®, MyHip® Planner, MyHip® Verifier, MyKA™, MyKnee®, MyKnee® R, MyPAO®, MyShoulder®, MySolutions™ Personalized Ecosystem, MySpine®, MySpine® Anchor, MySpine® Cervical, MySpine® MC, MySpine® S2AI, M-Vizion®, NextAR™, NextAR™ Knee, NextAR™ Shoulder, NextAR™ Spine, PowerKnot®, Quadra®-P, Quadra®-R, SensiTiN™, SMS®, Versafitcup®.

CONTACTS

Medacta IR Contacts

Strada Regina, 34
6874 Castel San Pietro - Switzerland

Phone: +41 91 696 60 60
Fax: +41 91 696 60 66
Mail: investor.relations@medacta.ch

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