Medacta International

ANNUAL REPORT 2023

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From minimally invasive surgery to

Personalized Medicine and beyond

Medacta International

MANAGEMENT REPORT

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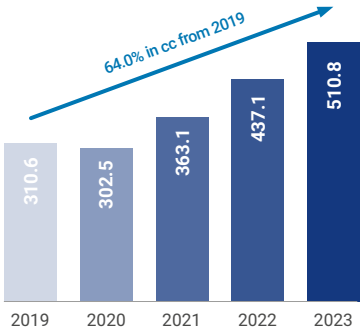
2023 KEY FIGURES

FINANCIAL FIGURES

REVENUES

EUR 510.8M

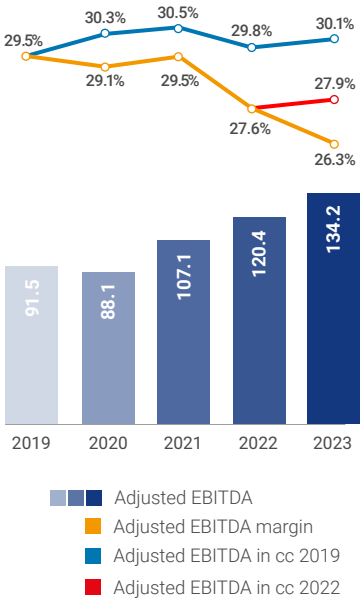
16.9% growth at reported currency (19.5% cc[1])
64.0% growth in constant currency from 2019



ADJUSTED EBITDA[2]

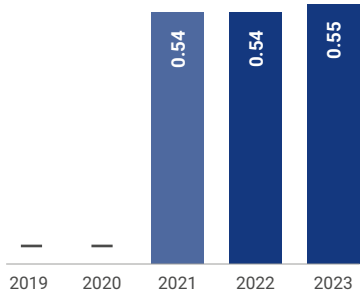
EUR 134.2M

26.3% Adjusted EBITDA margin[3]
(27.9% Adjusted EBITDA margin in cc 2022)



DISTRIBUTION DECLARED PER SHARE[4]

CHF 0.55



[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: extraordinary legal and MDR expenses.

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

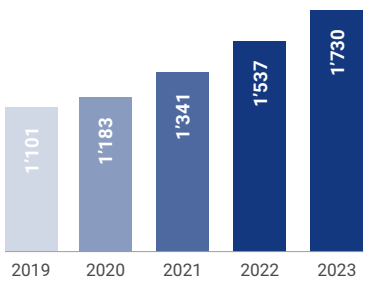
[4] Is calculated by dividing the total distribution declared equal to CHF 11.0M by the number of outstanding ordinary shares issued.

BUSINESS FIGURES

EMPLOYEES

1'730

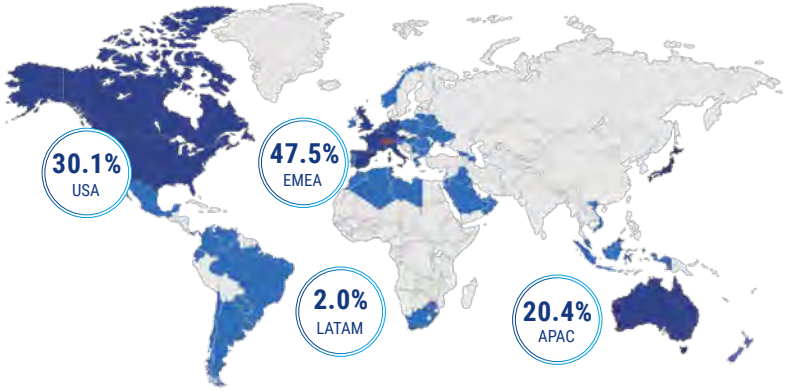
193 new jobs added in 2023



COUNTRY PRESENCE

56

3 countries added in 2023



2023 HIGHLIGHTS*

- Medacta's 2023 revenue amounts to Euro 510.8 million, equal to 19.5% growth at constant currency, or 16.9% growth at reported currency from 2022;
- Adjusted EBITDA grew to Euro 134.2 million (from Euro 120.4 million in 2022), corresponding to 26.3% margin (27.9% in constant currency);
- Profit for the year was equal to Euro 47.4 million, 9.3% on revenue;
- Adjusted Free Cash Flow at Euro 6.7 million;
- The Board of Directors is proposing a distribution of CHF 0.55 per share (CHF 0.54 in 2022);
- Outlook FY 2024: We are targeting revenue growth at constant currency in the range of 13% to 15%, and Adjusted EBITDA Margin at constant currency improving around 50 bps from 2023 reported, subject to any unforeseen events.

REPORTED PERFORMANCE MEASURES

(Million Euro)	**31.12.2023**	31.12.2022
Revenues	510.8	437.1
Gross Profit	347.8	305.3
Profit for the year	47.4	46.2
Distribution proposal to the AGM (in million CHF)	11.0	10.8

Alternative Performance Measures:		
EBITDA	132.9	113.0
Adjusted EBITDA*	134.2	120.4
Adjusted EBITDA margin*	26.3%	27.6%
Free Cash Flow	(5.5)	8.4
Adjusted Free Cash Flow**	6.7	21.6

(Million Euro)		
Total Assets	695.9	584.5
Total Equity	330.0	274.7
Equity Ratio	47.4%	47.0%
Number of employees	1'730	1'537

* Adjusted in 2023 for extraordinary legal expenses (Euro 0.5 million) and MDR transition costs (Euro 0.8 million). The reconciliation is provided in the "Alternative Performance Measures" section of this Report.

** Adjusted in 2023 for extraordinary legal expenses (Euro 0.5 million), for the settlement of legal claims (Euro 1.8 million), MDR transition costs (Euro 0.8 million), non-recurring investments for Corporate land acquisition and plant expansion (Euro 6.3 million) and international advances and deposits for future logistic expansion (Euro 2.7 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 Annual 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", "Adjusted and Normalized EBITDA", "Free Cash Flow", "Adjusted Free Cash Flow", "Adjusted and Normalized Free Cash Flow", "Net Debt" and "Leverage". Reconciliation of these measures as well as "CORE" financial measures is provided in the "Alternative Performance Measures" (APM) section of this Annual Report. These Alternative Performance Measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, please refer section headed "Alternative Performance Measures" of this Annual 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 December 31, 2023*	19'927'500
Nominal value per registered share (in CHF)	0.10
Number of treasury shares *as of December 31, 2023*	72'500

2023 DATA PER SHARE

(Swiss Francs)	**31.12.2023**
2023 High (in CHF)	131.40
2023 Low (in CHF)	95.40
Closing price (in CHF)	125.60
Market capitalization (in CHF billion)	2.5

2023 RELATIVE SHARE PRICE DEVELOPMENT

Index base 100 calculation

Source: Refinitiv

LETTER TO SHAREHOLDERS

Dear Shareholders,

2023 marked an extraordinary year for Medacta, culminating in a remarkable growth of 19.5% in constant currency, exceeding the milestone of EUR 500 million. This achievement reflects our unwavering dedication to responsible and sustainable innovation, particularly through our advancements in minimally invasive techniques and personalized solutions. These innovations along with medical education are fundamental assets to our strategy and have significantly contributed to our market share expansion. Our success in navigating the year was further supported by our proactive adaptation of our supply chain, ensuring resilience and continuity in our operations. This performance once again proves the effectiveness of our strategy in achieving remarkable gains in market share and bolsters confidence in our ability to execute our long-term value creation strategy.

OUR ACHIEVEMENTS

We remain dedicated to improving patient outcomes through innovative minimal invasive techniques and personalized solutions, maintaining at the same time a strong focus on healthcare sustainability. In October 2023, Medacta announced the launch of GMK SpheriKA, marking a pioneering development as the world's first knee implant optimized for Kinematic Alignment (KA). GMK SpheriKA further reinforces Medacta's commitment to providing surgeons with personalized solutions for each of their patients. By working together with a remarkable team of globally renowned orthopedic surgeons, we have introduced a product that builds upon our clinically proven GMK Sphere and incorporates the fundamentals of Kinematic Alignment to ensure that each patient receives an implant that can accommodate their unique pre arthritic anatomy.

Within our MySolutions Personalized Ecosystem, the NextAR Augmented Reality Surgical Platform continues to be validated by research demonstrating the accuracy of our technology. A 2023 study titled "Glenoid Component Placement in Reverse Shoulder Arthroplasty Assisted with Augmented Reality Through a Head-mounted Display Leads to Low Deviation Between Planned and Post-operative Parameters" published in the Journal of Shoulder and Elbow Surgery, affirms the high accuracy of the NextAR Shoulder system. This system offers precise intraoperative guidance for the placement of the glenoid component. Furthermore, a study "Evaluating a Cutting-edge Augmented Reality Supported Navigation System for Spinal Instrumentation" underscores the efficiency, accuracy, and adaptability of the NextAR Spine system. Those studies prove that Personalised Medicine can be accurately achieved with NextAR Platform, a solution requiring a fraction of the investments and cost per case compared to other technologies in the market.

In November 2023, we announced the commencement of a new facility expansion in Rancate, supplementing the ongoing construction in Castel San Pietro. This expansion is aimed at supporting future growth and increasing in-house production to satisfy the growing demand for Medacta products. Over the next three years, the Rancate site will be expanded by approximately 9'500 square meters, while the Castel San Pietro facility will see its production area increase by about 5'300 square meters, becoming operational in the first half of 2024. This development is expected to create numerous new jobs, effectively doubling Medacta's production capacity across these two technological hubs, supporting Medacta's future needs.

Management made strategic investments in strengthening our supply chain, enhancing our logistics and distribution framework to guarantee more efficient worldwide product delivery. In March 2023, we inaugurated a new distribution center in Memphis, Tennessee, named Medacta Americas Operations, dedicated to serving the US market.

Throughout 2023, Medacta bolstered its operational and sales teams across various regions and business segments, adding 193 new roles to accommodate our expansion and ongoing market penetration.

OUTSTANDING GROWTH IN ALL REGIONS AND BUSINESS LINES*

In 2023 Medacta's revenue saw a remarkable increase of 19.5% in constant currency and 16.9% in reported currency from the previous year, reaching EUR 510.8 million. This significant growth was uniformly driven by positive performance across all business sectors and regions, attributed largely to the acquisition of new customers worldwide. In addition to our commercial development efforts, in 2023 we experienced some tailwind thanks to the recovery of the accumulated backlog primarily in the USA and Australia, contributing to our momentum.

Currency development had a negative impact with a headwind of 2.6%, predominantly due to the Euro strengthening against major currencies such as the US Dollar, the Japanese Yen, and the Australian Dollar. This was only slightly mitigated by the Euro's depreciation against the Swiss Franc. Since 2019, Medacta has achieved a 64.0% revenue increase in constant currency, highlighting substantial growth that surpasses a mere rebound from pre-Covid levels.

In terms of trend by business line, revenue from our Hip products rose to EUR 229.8 million, marking a 15.5% increase on a constant currency basis. This positive momentum was driven by the success of our Anterior Minimally Invasive Surgery (AMIS) approach and our Hip revision solutions. Since 2019, revenue from Hip achieved a compound annual growth rate (CAGR) of 8.8%. Revenue from our Knee offerings reached EUR 198.3 million, an increase of 23.2% on a constant currency basis; the growth was generated thanks to a solid and complete product offering based on our personalized Kinematic Alignment platform (MyKA). Since 2019, revenue from Knee offering achieved a compound annual growth rate (CAGR) of 15.4%. Our Extremities business line reported an increase in revenue of 33.8% on a constant currency basis to EUR 36.3 million; the growth was primarily attributable to Shoulder through the Medacta Shoulder System and technologies (MyShoulder and NextAR Shoulder). The Sportsmed business, which is in an early start-up phase, continued to develop its growth plan. Since 2019, revenue from Extremities offering achieved a compound annual growth rate (CAGR) of 38.9%. Revenue from our Spine offering grew by 15.2% on a constant currency basis to EUR 46.4 million, mainly driven by the good acceleration seen on NextAR Spine utilization, recently supported by a clinical study which highlights its efficiency in spine surgery. Since 2019, revenue from Spine achieved a compound annual growth rate (CAGR) of 16.4%. All the business lines benefitted from significant marketing activities and salesforce expansion.

In 2023, we strategically reorganized our key geographic areas, introducing the EMEA and LATAM regions reclassifying countries from the former Rest of the World (RoW) region**.

Overall, group performance was very positive in every market thanks to a confirmed strong growth in EMEA, North America, and APAC. In every region the growth was sustained by organically expanding our sales force and customer base together with some new product introduction.

In the EMEA region, revenue saw a remarkable increase of 22.6% on a constant currency basis, reaching EUR 242.4 million. This surge was attributed to significant customer acquisitions across all business lines.

In North America, revenue climbed to EUR 154.0 million, marking a 15.7% increase on a constant currency basis. A notable factor in this strong performance was the recovery of some patient backlog in the first half of the year.

The Asia Pacific region experienced a growth of 19.4% on a constant currency basis, amounting to EUR 104.2 million, primarily due to new customer acquisitions in Japan and Australia. In Australia, the recovery of accumulated backlog provided additional momentum.

Revenue in Latin America reached EUR 10.2 million, with an 11.9% growth on a constant currency basis, largely driven by increased purchases from stocking distributors.

GROSS PROFIT PERFORMANCE *

The Gross Profit was EUR 347.8 million compared to EUR 305.3 million in the previous year. The Gross Profit margin was equal to 68.1% compared to 69.8% in 2022. This change was primarily due to a negative impact from currency development, and temporary geographic mix effects caused mainly by a higher contribution of EMEA on total volumes. These negative effects were partially compensated by a positive leverage impact on depreciation and amortisation.

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** In 2023 the Group reorganized the key geographic areas introducing EMEA and LATAM regions, reclassifying Rest of the World (RoW) region. EMEA includes revenue from the former Europe region and select countries originally included in RoW region. LATAM includes revenue from countries located in Latin America previously included in RoW region. 2022 figures have been restated accordingly.

ADJUSTED EBITDA MARGIN*

The Adjusted EBITDA amounted to EUR 134.2 million, growing by EUR 13.7 million from EUR 120.4 million in 2022, corresponding to a margin of 27.9% in constant currency (26.3% reported) compared to 27.6% in 2022. This margin expansion was achieved through effective cost management and to the leverage of fixed costs on sales volumes. The decrease of reported EBITDA margin reflects primarily the reduction in Gross Profit, the negative currency development and inflationary pressure.

ADJUSTED EBIT MARGIN*

The Adjusted EBIT for the period raised to EUR 75.7 million, 14.8% on revenues, compared to EUR 68.9 million, corresponding to 15.8% on revenues in 2022. This change in margin is attributable to the decrease in EBITDA, which was only partially offset by the leverage impact on depreciation and amortisation, which increased but at a slower pace than revenue.

PROFIT FOR THE YEAR

The Profit for the year was EUR 47.4 million, compared to EUR 46.2 million in 2022. The profitability in 2023 was significantly affected by negative financial results, mainly driven by unrealized exchange losses. Additionally, the Group's effective tax rate rose to 19.4% from 15.6% in 2022, largely due to a one-off transaction associated with establishing a logistics company in the United States, which altered the usual Group's profit mix and thus the Group's average tax rate.

SOLID BALANCE SHEET

Medacta's balance sheet remains robust, with total assets increasing to EUR 695.9 million and an equity ratio of 47.4% at the end of the reporting period (47.0% in 2022). The Adjusted Free Cash Flow generated in 2023 amounted to EUR 6.7 million (EUR 21.6 million in 2022), after significant investments in instruments, implants and manufacturing expansions to sustain the future growth of Medacta.

STOCK PRICE GROWTH AND PROPOSAL OF DISTRIBUTION

The Medacta stock price experienced a material growth in 2023, equal to 22% compared to 4% of the SMI Swiss Performance Index.

The Board of Directors, after assessing the strong economic and financial results of the year, decided to reward our shareholders through a distribution. Our Board Members are proposing to the Annual General Meeting the distribution of CHF 0.55 per share, half of it to be distributed as dividend out of available earnings and half of it to be distributed out of accumulated reserves from capital contribution.

OUTLOOK

We are targeting revenue growth at constant currency in the range of 13% to 15%, and Adjusted EBITDA Margin at constant currency improving around 50 bps from 2023 reported, subject to any unforeseen events.

GROUP EXECUTIVE MANAGEMENT TEAM (GEM) EXPANSION AND APPRECIATION

The past year has showcased the resilience and strength of our company, laying a solid foundation for growth in the years ahead. In alignment with our vision for future growth, on top of the existing GEM (composed by Francesco Siccardi - CEO, Corrado Farsetta - CFO and Alessandro Siccardi - CSCO), we have decided to expand our Group Executive Management team to include Massimiliano Bernardoni (Chief Innovation Officer), Giovanni Niccolò Galli (Chief Commercial Officer) and Asif Hussain (Chief People Officer).

We extend our heartfelt thanks to our entire team for their dedication and hard work, which have been instrumental in reaching this juncture. Together, we look forward to embarking on this exciting phase of development and achieving new milestones.

Sincerely,

Dr. Alberto Siccardi
Chairman of the Board of Directors

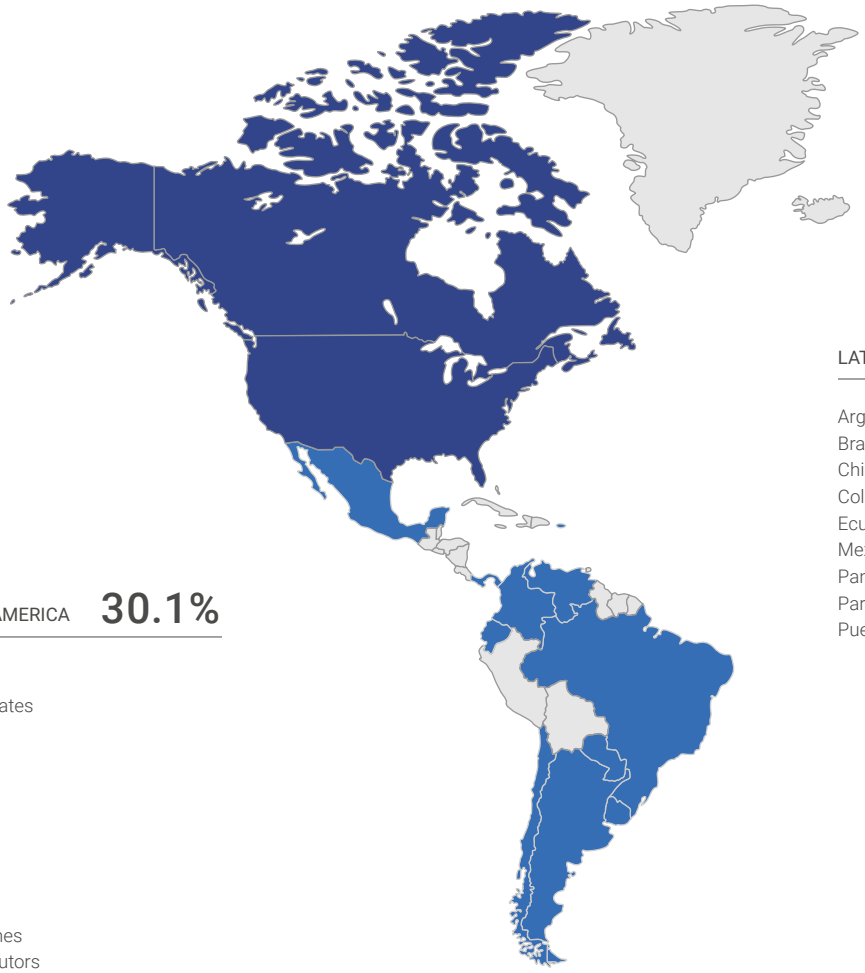
Francesco Siccardi
Chief Executive Officer

1. MANAGEMENT COMMENTARY*

CORPORATE INTRODUCTION

We are an international company specialized in the design, production and distribution of innovative orthopedic products and the development of accompanying surgical techniques for joint replacement, spine surgery, and sports medicine. Established in 1999 in Switzerland, we have grown considerably from our origins as a manufacturer of hip and knee replacement products into a global business. We are currently active in targeted regions of countries that together represent the majority of global orthopedic revenue, according to Orthoworld.

Today, our primary focus is on our high-volume Hip and Knee business lines (which generated 45.0% and 38.8%, respectively, of our reported revenue in 2023), complemented by our offerings in Shoulder, Spine and Sports Medicine ("Sportsmed") business lines. Our products and surgical techniques are supported by an extensive program of surgeon education and engagement initiatives, enabling our offerings to be used to the best advantage of both the patient and surgeon. All our products and surgical procedures are designed to improve patient well-being, facilitate the work of our surgeons and increase the sustainability of the healthcare system by improving efficiency while reducing healthcare costs. Our financial results confirm the validity of our business model and prove our success: in the year ending December 31, 2023 we achieved a 64.0% constant currency revenue growth from 2019, generating revenues amounting to Euro 510.8 million and an Adjusted EBITDA Margin of 26.3%.



NORTH AMERICA **30.1%**

Canada
United States

LATIN AMERICA** **2.0%**

Argentina
Brasil
Chile
Colombia
Ecuador
Mexico
Panama
Paraguay
Puerto Rico

Branches
Distributors

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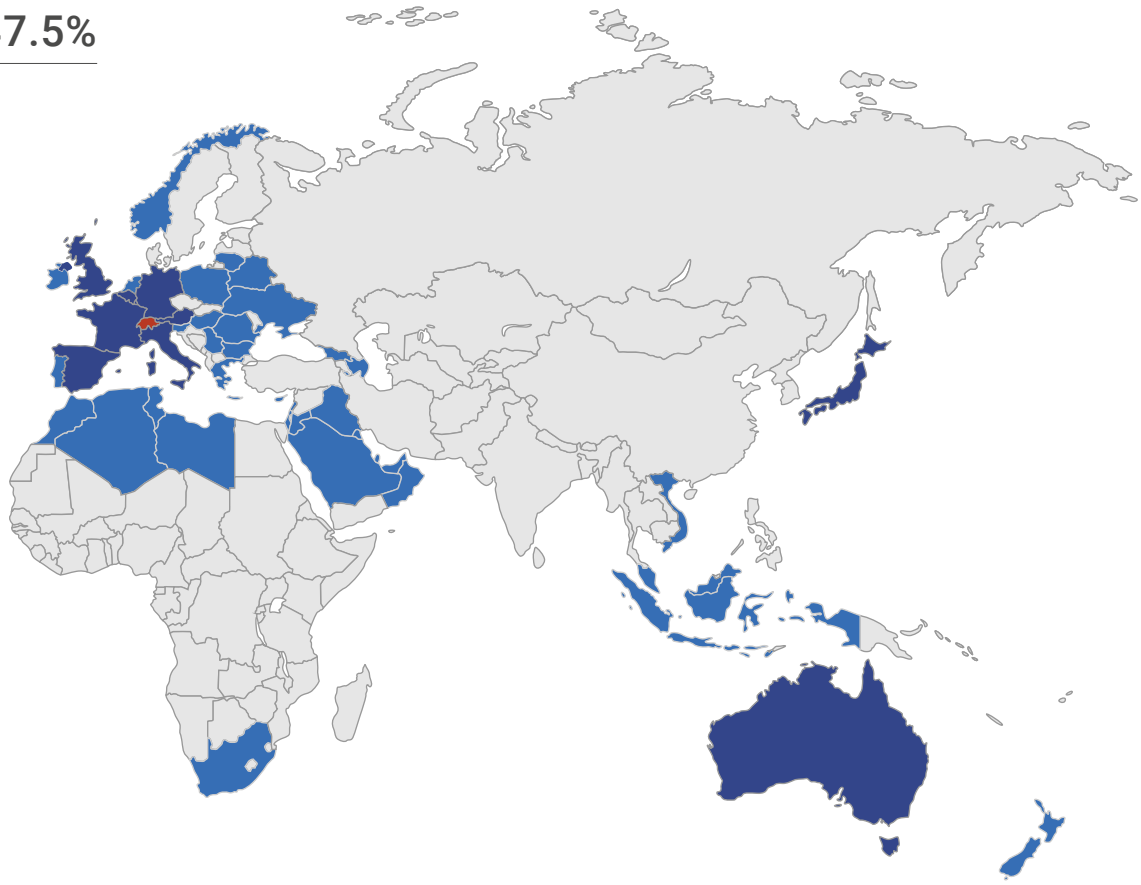
Our products and surgical techniques are characterized by innovation. We are a pioneer in developing new offerings on the basis of our minimally invasive surgical techniques, in particular our Anterior Minimally Invasive Surgery (AMIS) technique for hip replacements, which involves an anterior approach to the hip and has been carried out in over 500'000 cases worldwide since 2004.

We believe that education is an indispensable tool for transforming innovation into concrete benefits for patients, surgeons and healthcare systems. For our surgeon customers, we have introduced a range of training and technical support initiatives through our M.O.R.E. Institute. Since its founding in 2004, the M.O.R.E. Institute has become a global education platform tailored to the needs of the individual surgeon, with courses addressing each of our business lines and no limit on the number of interactions that customers can benefit from. Also, we relaunched the MyPractice Development Plan to further support surgeons in their patient education efforts and improve patient understanding and experience of our products and techniques.

Our headquarters and manufacturing facilities are in Castel San Pietro and Rancate, Switzerland, where we have 951 employees in the aggregate as of December 31, 2023. Our sales organization operates in 12 countries through our local subsidiaries and we serve 44 additional countries through stocking distributors, allowing the Group to pursue its strategy in the attractive markets of EMEA, North America and Asia Pacific, where we generated 47.5%, 30.1% and 20.4% of our revenue, respectively, for the year ending December 31, 2023. Our experienced salesforce enables us to achieve international adoption and deployment of our products and techniques.

EMEA** **47.5%**

Algeria
Austria
Azerbaijan
Bahrain
Belarus
Belgium
Bulgaria
Cyprus
France
Jordan
Georgia
Germany
Greece
Hungary
Iraq
Ireland
Israel
Italy
Kuwait
Lebanon
Libya
Lithuania
Netherlands
Norway
Oman
Poland
Portugal
Qatar
Romania
Saudi Arabia
Serbia
Slovenia
South Africa
Spain
Switzerland
Tunisia
UAE
Ukraine
United Kingdom



ASIA PACIFIC **20.4%**

Australia
Indonesia
Japan
Malaysia
New Zealand
Vietnam

Branches
Distributors

BUSINESS PERFORMANCE

EXECUTIVE OVERVIEW

In 2023, Medacta achieved an extraordinary milestone, recording a significant growth of 19.5% in constant currency and surpassing Euro 500 million in revenue. Despite challenging macroeconomic conditions, this accomplishment underscores the effectiveness of our strategic focus to responsible and sustainable innovation. Our advancements in minimally invasive techniques and personalized solutions played a pivotal role in this success. Moreover, our ability to proactively adapt our supply chain contributed to operational resilience and continuity.

Our impressive top-line growth was across all business sectors and regions, primarily fueled by acquiring new customers globally. The year also saw a beneficial tailwind from the recovery of the backlog accumulated, especially in the USA and Australia, further contributing to our momentum.

Profitability was heavily affected by currency exchange rates developments. Our 2023 Adjusted EBITDA Margin decreased by 130 basis points from 27.6% in 2022 to 26.3% in 2023. The strengthening of EUR mainly against USD, AUD and JPY reduced our marginality by 160 basis points (Adjusted EBITDA Margin in constant currency was equal to 27.9%). Also, the remaining reduction in performance reflects primarily the reduction in Gross Profit due to negative price erosion and geographic mix, all partially compensated by the leverage on fixed costs from higher sales volumes. The 2023 Adjusted Free Cash Flow amounted to Euro 6.7 million, decreasing Euro 15.0 million from 2022 mainly due to the substantial increase in investments in implants (up to Euro 44.1 million in 2023, from Euro 20.8 million in 2022) and instruments (Euro 49.1 million in 2023, Euro 44.9 million in 2022) to sustain the Group's growth. Based on the performance achieved in 2023, the Board of Directors decided to propose to the Annual General Meeting a distribution of CHF 0.55 per share.

The past year has showcased the resilience and strength of our company, laying a solid foundation for sustained growth in the years ahead. Despite the possibility of ongoing macroeconomic challenges in 2024, we remain optimistic and are committed to continuing our investments in our people, products, and cultural values to preserve this momentum of record-level results.

SALES VOLUME, PRICING AND GEOGRAPHICAL MIX

Our revenue increased by Euro 73.7 million, or 16.9%, from Euro 437.1 million in 2022 to Euro 510.8 million in 2023 on a reported currency basis (19.5% on a constant currency basis), with positive contribution from all business lines and geographies. Pricing pressure from governmental healthcare systems and geographic mix sales had a negative effect on our global selling price. In addition, our revenue growth experienced a 2.6% setback due to negative exchange rate headwinds. Specifically, in 2023, the EUR appreciated against the USD, JPY, and AUD (our most significant currency exposures) adversely affecting the Euro-translated revenue from operations in those countries. This impact was only partially offset by the EUR's depreciation against the CHF. We analyse sales by four geographies (EMEA, North America, Asia Pacific and Latin America) and by the following product categories: Hip, Knee, Spine and Extremities.

(Million Euro)	31.12.2023	% of total	31.12.2022	% of total	Reported Growth	Constant Currency Growth
Hip	229.8	45.0%	203.6	46.6%	12.9%	15.5%
Knee	198.3	38.8%	164.5	37.6%	20.6%	23.2%
Extremities*	36.3	7.1%	27.5	6.3%	31.9%	33.8%
Spine	46.4	9.1%	41.5	9.5%	11.7%	15.2%
TOTAL REVENUES	**510.8**		**437.1**		**16.9%**	**19.5%**

* Extremities include Shoulder and Sportsmed revenues.

Revenue from our Hip products increased by Euro 26.2 million, or 12.9%, from Euro 203.6 million in 2022 to Euro 229.8 million in 2023 on a reported currency basis (15.5% on a constant currency basis); the growth was driven by our Anterior Minimally Invasive Surgery Approach (AMIS) and Hip revision.

Revenue from our Knee offerings increased by Euro 33.8 million, or 20.6%, from Euro 164.5 million in 2022 to Euro 198.3 million in 2023 on a reported currency basis (23.2% on a constant currency basis). The good momentum was thanks to a solid and complete product offering based on our personalized kinematic alignment solutions (MyKA).

Our Extremities business line, which includes Shoulder and Sportsmed, reported an increase in revenue by Euro 8.8 million, or 31.9%, from Euro 27.5 million in 2022 to Euro 36.3 million in 2023 on a reported currency basis (33.8% on a constant currency basis). Extremities product offerings growth was primarily attributable to Shoulder through the Medacta Shoulder System and Technologies (MyShoulder and NextAR). The Sportsmed business, which is in an early start-up phase, continued to develop its growth plan.

Revenue from our Spine offerings increased by Euro 4.8 million, or 11.7%, from Euro 41.5 million in 2022 to Euro 46.4 million in 2023 on a reported currency basis (15.2% on a constant currency basis). The Group's full year Spine results are primarily driven by the performance recorded in EMEA and North America. Growth in APAC was partially offset by price pressure in Japan. Good acceleration seen on NextAR Spine utilization, recently supported by a clinical study which highlights its efficiency in spine surgery.

All the business lines benefitted from significant salesforce and marketing expansion.

We also monitor the development of our revenue in key geographies based on the location of our customers invoiced, as set forth in the table below.

(Million Euro)	31.12.2023	% of total	31.12.2022	% of total	Reported Growth	Constant Currency Growth
EMEA*	242.4	47.5%	196.7	45.0%	23.3%	22.6%
North America	154.0	30.1%	136.8	31.3%	12.6%	15.7%
Asia Pacific	104.2	20.4%	94.4	21.6%	10.4%	19.4%
Latin America*	10.2	2.0%	9.3	2.1%	9.0%	11.9%
TOTAL REVENUES	**510.8**		**437.1**		**16.9%**	**19.5%**

Revenue in EMEA* increased by Euro 45.8 million, or 23.3%, from Euro 196.7 million in 2022 to Euro 242.4 million in 2023 on a reported currency basis (22.6% on a constant currency basis). The 2023 growth rate in EMEA is in line with our reported Group-wide average revenue growth rate. All our European countries registered a solid growth, mostly driven by customer acquisition in all of our business lines. As a percentage of our total revenue, sales generated in EMEA increased compared to prior year at 47.5% in 2023 (compared to 45.0% in 2022).

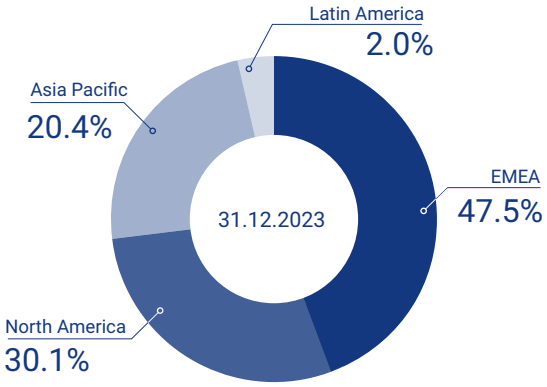
Revenue in North America increased by Euro 17.2 million, or 12.6%, from Euro 136.8 million in 2022 to Euro 154.0 million in 2023 on a reported currency basis (15.7% on a constant currency basis). North America's performance was strong thanks to our customer acquisition strategy and boosted by some patient backlog recovery in the first half of the year. However, our reported revenue in North America was affected by a negative headwind from the exchange rate. Specifically, during the course of 2023, the EUR strengthened against the USD by an average of 2.7% (compared to the average 2022 exchange rate), negatively impacting revenue translated into Euro. As a percentage of our total revenue, North America decreased to 30.1% (compared to 31.3% in 2022).

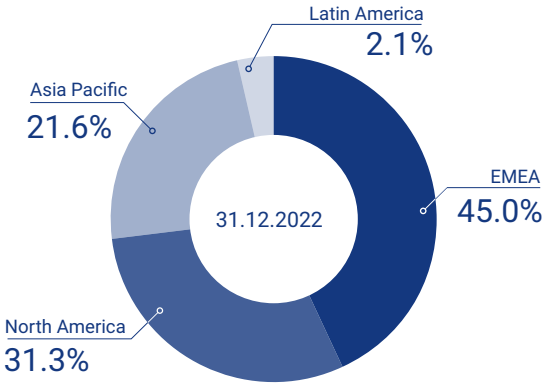
Revenue in Asia Pacific increased by Euro 9.8 million, or 10.4%, from Euro 94.4 million in 2022 to Euro 104.2 million in 2023 on a reported currency basis (19.4% on a constant currency basis). This result was mainly driven by the attainment of new customers in Japan and Australia. In Australia, the recovery of accumulated backlog provided additional momentum. Our reported revenue in Asia Pacific was heavily offset by a negative headwind from the exchange rate. Specifically, in the course of 2023, the EUR strengthened against the JPY by an average 9.1% (compared to the average 2022 exchange rate), negatively impacting revenue translated into Euro from our Japanese operation. This negative translation was also increased by the strengthening of the EUR against the AUD by an average of 6.9% (compared to the average 2022 exchange rate). As a percentage of our total revenue, Asia Pacific decreased to 20.4% in 2023 (compared to 21.6% in 2022).

Revenue in LATAM* increased by Euro 0.8 million, or 9.0%, from Euro 9.3 million in 2022 to Euro 10.2 million in 2023 on a reported currency basis (11.9% on a constant currency basis). The growth in LATAM is mainly sustained by the increase in purchases from stocking distributors. As a percentage of our total revenue, sales from LATAM are in line with prior year (2.0% in 2023 compared to 2.1% in 2022).

* In 2023 the Group reorganized the key geographic areas introducing EMEA and LATAM regions, reclassifying Rest of the World (RoW) region. EMEA includes revenue from the former Europe region and select countries originally included in RoW region. LATAM includes revenue from countries located in Latin America previously included in RoW region. 2022 figures have been restated accordingly.

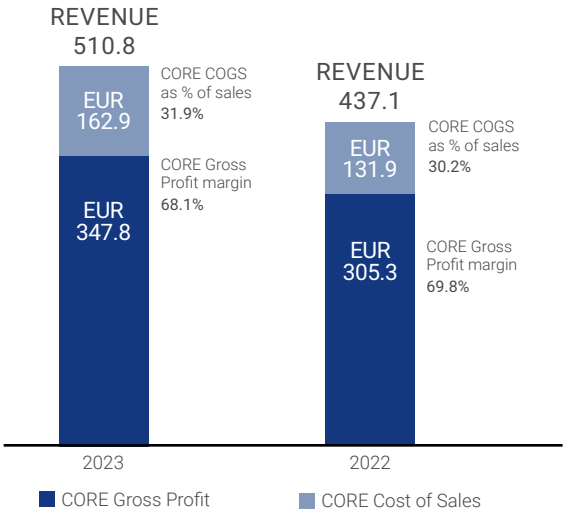
The graphics below provide an overview of our revenue by geography* for the year December 31, 2023 and 2022.





COST OF SALES AND GROSS PROFIT

Our Gross Profit as a percentage of revenue decreased from 69.8% in 2022 to 68.1% in 2023. This reduction was significantly influenced by adverse currency developments, which contributed to a 1.5% decrease in the margin. Additionally, we faced challenges due to price erosion and a less favorable geographic mix, primarily due to a reduced contribution from the USA and Australia to our total volumes. However, this decline was partially mitigated by leveraging depreciation and amortisation.



CORE EBIT PERFORMANCE**

(Thousand Euro)	31.12.2023	31.12.2022	Delta	Delta %
CORE Research and Development expenses	(19'565)	(15'596)	(3'969)	25.4%
CORE Sales and Marketing expenses	(186'671)	(159'594)	(27'077)	17.0%
CORE General and Administrative expenses	(66'808)	(61'683)	(5'125)	8.3%
CORE Other income	2'150	1'570	580	37.0%
CORE Other expenses	(1'233)	(1'013)	(220)	21.7%
CORE OPERATING EXPENSES (OPEX)	**(272'127)**	**(236'316)**	**(35'811)**	**15.2%**
CORE OPERATING PROFIT (EBIT)	**75'720**	**68'940**	**6'780**	**9.8%**

CORE Research and Development expenses

Expensed research and development costs are mainly related to base research, maintenance projects, depreciation and amortisation expenses (including impairments), business expenses and other non-capitalized expenses. During 2023, we continued investing in research and development, and in particular in certain long-term research initiatives, to support our strategy of broadening our product portfolio. Our CORE Research and Development costs that were expensed increased by Euro 4.0 million, or 25.4%, from Euro (15.6) million in 2022 to Euro (19.6) million in 2023.

* In 2023 the Group reorganized the key geographic areas introducing EMEA and LATAM regions, reclassifying Rest of the World (RoW) region. EMEA includes revenue from the former Europe region and select countries originally included in RoW region. LATAM includes revenue from countries located in Latin America previously included in RoW region. 2022 figures have been restated accordingly.

** For a reconciliation of our CORE results to our reported IFRS figures, please see the "Alternative Performance Measures" section of this report.

In 2023, we increase the expenses related to the adaptation to the European Medical Devices Regulation which fully entered into force in the first semester 2021. Currency development had a negative impact in our operational costs by 0.2%.

CORE Sales and Marketing expenses

Our CORE Sales and Marketing expenses increased by Euro 27.1 million, or 17.0%, from Euro (159.6) million in 2022 to Euro (186.7) million in 2023. In 2023, CORE Sales and Marketing expenses as a percentage of total revenue remained stable at 36.5%.

Variable expenses, particularly in commissions and transportation costs, experienced an increase, albeit at a slower pace than our revenue growth, contributing positively to our EBIT margin. However, this improvement was entirely offset by a rise in wages, salaries, maintenance, and training costs. In 2023, we continued our commitment to medical education, offering surgeons valuable online resources to enhance their expertise and familiarity with our solutions. Additionally, currency fluctuations had a marginal negative impact of 0.1% on our operational costs.

CORE General and Administrative expenses

Our CORE General and Administrative expenses increased by Euro 5.1 million, or 8.3%, from Euro (61.7) million in 2022 to Euro (66.8) million in 2023. In 2023, CORE General and Administrative expenses, as a percentage of total revenue, decreased to 13.1% in 2023 from 14.1% in 2022. This improvement was largely due to the leverage effect on wages and salaries, depreciation, and other fixed costs. Additionally, currency fluctuations negatively impacted our operational costs by 0.3%, primarily because of the CHF strengthening by 3.4% against EUR, partially offset by USD, JPY, and AUD weakening against EUR by 2.7%, 9.1%, and 6.9%, respectively, compared to the previous period.

CORE Other income and expenses

Our CORE Other income increased by Euro 0.6 million, or 37.0%, from Euro 1.6 million in 2022 to Euro 2.2 million in 2023. CORE Other income as a percentage of total revenue remained largely stable at 0.4%. Our CORE Other expenses increased by Euro 0.2 million, from Euro (1.0) million in 2022 to Euro (1.2) million in 2023 largely as a result of lower write-offs and loss on sale of tangible assets.

FINANCIAL INCOME AND COSTS

Our financial income increased by Euro 5.1 million, from Euro 2.8 million in 2022 to Euro 7.9 million in 2023, mainly due to the increase of exchange gain in the amount of Euro 3.9 million. Our financial costs increased by Euro 14.1 million, from Euro 9.5 million in 2022 to Euro 23.6 million in 2023, primarily as a result of both increased exchange losses for Euro 11.3 million and increased interests on borrowings, leasing and bank charges for Euro 3.2 million.

INCOME TAXES

The Group effective tax rate increased to 19.4% from 15.6% in 2022. The 2023 total reported tax is equal to Euro 11.4 million, increased by Euro 2.8 million from Euro 8.5 million in the previous year. The Group's average tax rate before deductions and one-off effects increased from 19.1% in 2022 to 21.0% in 2023, negatively affected by a change in the profit mix. This effect is the consequence 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 SA. 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 full year 2023 amounting to around Euro 0.4 million (around Euro 1.7 million as of December 31, 2022), corresponding to a positive impact on the effective tax rate for 0.6% (3.2% as of December 31, 2022).

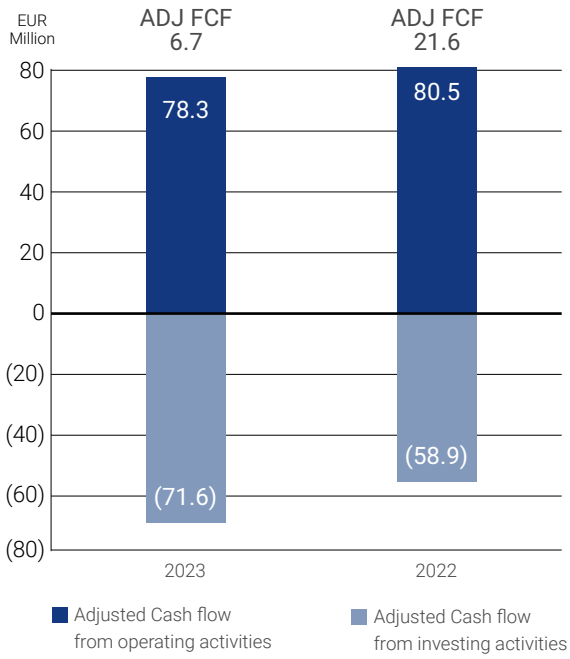
ADJUSTED FREE CASH FLOW

The Adjusted Free Cash Flow decreased from Euro 21.6 million in 2022 to Euro 6.7 million in 2023 primarily as a result of the surge in implants in stock and investments in surgical instruments to sustain the Group's growth, which increased respectively by Euro 23.3 million and Euro 4.2 million. Adjusted for abnormal transactions, 2023 cash flow from operating activities was equal to around Euro 78.3 million, compared to Euro 80.5 million as of December 31, 2022. The profit for the year 2023 is substantially in line with 2022 (Euro 1.1 million higher than prior year) mainly driven by profit before taxes. The reported cash flow from operating activities is equal to Euro 75.1 million. and it is then adjusted to exclude non-recurring legal costs for Euro 0.5 million, MDR transition costs for Euro 0.8 million and payments relating the settlement agreement with MicroPort amounting to Euro 1.9 million.

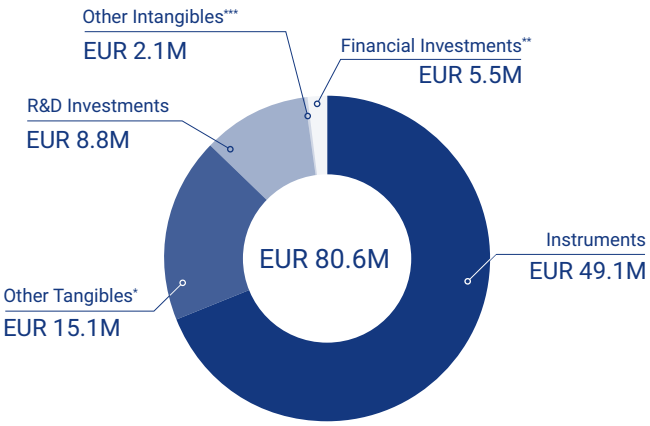
Reported cash flow from investing activities as of December 31, 2023 amounting to Euro 80.6 million mainly reflects net investments in surgical instruments, for Euro 49.1 million and in the research and development of new implants and instruments, for Euro 8.8 million. In 2023 cash flow from investing activities has been adjusted for the investments made to finalize the production area in Castel San Pietro site for approximately Euro 6.0 million, for the expansion in Rancate for Euro 0.3 million and for advances and deposits paid out in 2023 to establish a new distribution center in northern Italy. The previous year Adjusted cash flow from investing activities, equal to Euro 58.9 million, was adjusted for the investments made to finalize the new offices in our Rancate site for approximately Euro 1.2 million, for the land acquisition in Castel San Pietro for Euro 4.8 million to increase our production area by about 5'300 square meters and for the investment made to acquire Levante Medica for Euro 0.2 million.

CAPITAL STRUCTURE

Group Net Debt in 2023 was equal to Euro 135.2 million, compared to Euro 111.6 million as of December 31, 2022. The reported Free Cash Flow in 2023 was negative for Euro 5.5 million compared to positive Euro 8.4 million in 2022. The decrease in Free Cash Flow was largely attributable to increased investments in surgical instruments, aimed at satisfying both the current and anticipated demand for our products. Despite the increase in Net Debt, our 2023 leverage ratio stood at 1.01, remaining relatively consistent with the previous year's ratio of 0.93.



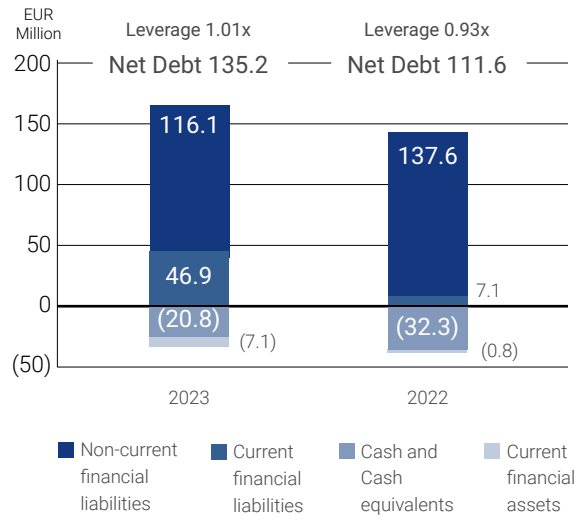
2023 CASH FLOW FROM INVESTING ACTIVITIES



* Other Tangibles includes: Land, Buildings, Plants & Machinery, Other fixture and fittings, tool and equipment and Assets under construction.

** Financial Investments include advances on deposits paid for the acquisition of Property, Plant and Equipment.

*** Other Intangibles includes: Customer lists, trademarks, software and other.



1.1 ALTERNATIVE PERFORMANCE MEASURES

The financial information provided in the selected sections of the 2023 Annual Report, including "Highlights year 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, 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 Annual Report are reported at the end of this section.

CORE RESULTS

The following tables provide the reconciliation of the CORE results with the Consolidated Financial Statements as of December 31, 2023 and 2022. In addition to the CORE ratios we did not identify any normalization for the December 31, 2023 results.

2023 CORE RESULTS RECONCILIATION

December 31, 2023 (Thousand Euro)	IFRS	Legal costs[1]	MDR costs[2]	CORE[3]
Revenues	510'778	-	-	510'778
Cost of Sales	(162'931)	-	-	(162'931)
GROSS PROFIT	**347'847**	**-**	**-**	**347'847**
Research and Development expenses	(20'318)	-	753	(19'565)
Sales and Marketing expenses	(186'671)	-	-	(186'671)
General and Administrative expenses	(67'332)	524	-	(66'808)
Other income	2'150	-	-	2'150
Other expenses	(1'233)	-	-	(1'233)
OPERATING PROFIT (EBIT)	**74'443**	**524**	**753**	**75'720**

OPERATING PROFIT (EBIT)	**74'443**	**524**	**753**	**75'720**
Depreciation, amortisation and impairment	58'442	-	-	58'442
EBITDA	**132'885**	**524**	**753**	**134'162**
EBITDA MARGIN	**26.0%**			**26.3%**

[1] Legal costs incurred in 2023 are related to the extraordinary expenses incurred by the Group on litigations, refer to Note 6.25 "Litigations".

[2] MDR costs in 2023 refer to the extraordinary expenses incurred by the Group on the transition to comply the EU Medical Devices Regulation (MDR).

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

2022 CORE RESULTS RECONCILIATION

December 31, 2022 (Thousand Euro)	IFRS	Provision on Litigations[1]	Legal costs[2]	MDR costs[3]	Italian Payback[4]	CORE[5]
Revenues	437'122	-	-	-	-	437'122
Cost of Sales	(131'866)	-	-	-	-	(131'866)
GROSS PROFIT	**305'256**	**-**	**-**	**-**	**-**	**305'256**
Research and Development expenses	(16'223)	-	-	627	-	(15'596)
Sales and Marketing expenses	(159'594)	-	-	-	-	(159'594)
General and Administrative expenses	(65'447)	2'540	1'224	-	-	(61'683)
Other income	1'570	-	-	-	-	1'570
Other expenses	(4'098)	-	-	-	3'085	(1'013)
OPERATING PROFIT (EBIT)	**61'464**	**2'540**	**1'224**	**627**	**3'085**	**68'940**

OPERATING PROFIT (EBIT)	**61'464**	**2'540**	**1'224**	**627**	**3'085**	**68'940**
Depreciation and Amortisation	51'510	-	-	-	-	51'510
EBITDA	**112'974**	**2'540**	**1'224**	**627**	**3'085**	**120'450**
EBITDA MARGIN	**25.8%**					**27.6%**

[1] Provision on litigations related to the accrual for the patent matters with Conformis (Euro 2'208 thousand) and RSB (Euro 332 thousand), both settled in 2022.

[2] Legal costs incurred in 2022 are related to the extraordinary expenses incurred by the Group on litigations.

[3] MDR costs in 2022 refer to the extraordinary expenses incurred by the Group on the transition to comply the new regulation.

[4] Italian Payback is related to the provision accrued in 2022 after the introduction of a payback scheme in Italy.

[5] 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)	31.12.2023	31.12.2022
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**75'127**	**73'510**
Adjustments for:		
Legal costs	524	1'224
Settlement of legal claims[1]	1'850	5'147
Extraordinary MDR Costs[2]	753	627
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**78'254**	**80'508**

CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(80'606)**	**(65'106)**
Adjustments for:		
Levante Medica asset purchase acquisition[3]		220
International advances and deposits for future logistic expansion[4]	2'711	
Corporate land acquisition and plant expansion[5]	6'305	6'000
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(71'590)**	**(58'886)**

FREE CASH FLOW	**(5'479)**	**8'404**
Total adjustments	12'143	13'218
ADJUSTED FREE CASH FLOW	**6'664**	**21'622**

[1] Settlement of legal claims is related to the payment for the settlement agreements with MicroPort, amounting to Euro 1'850 thousand in 2023. In 2022, it was related to the payment of the settlement agreements with MicroPort (Euro 1'901 thousand), Conformis (Euro 2'914 thousand) and RSB (Euro 332 thousand).

[2] EU Medical Devices Regulation (MDR).

[3] In 2022 Medacta paid out Euro 220 thousand for the asset acquisition of Levante Medica 2008 S.L., following the agreement signed in 2021.

[4] The Group in 2023 paid out advances and deposits for future logistic expansion to establish a new distribution center in Italy.

[5] Corporate land acquisition and plant expansion include the investments made in 2023 for the strategic expansion of facilities and corporate offices in Switzerland of both Castel San Pietro and Rancate sites.

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 1.1 "Alternative Performance Measures" of this report.

EBITDA

EBITDA is a non-IFRS measure that represents profit or loss for the year 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 or loss for the year 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 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 and current financial assets.

LEVERAGE

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

2. 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, operating in over 50 countries.

Our vision is to improve the care and well-being of orthopedic and spine surgery patients worldwide through our experience and passion. With our surgical innovations and medical education programs, we strive to enable a healthy and active lifestyle for every patient, strongly focusing on healthcare sustainability.

Our mission is to transform the patient experience by developing advanced surgical approaches, implants, and instruments through responsible innovation. With this goal in mind, we focus on increasing our collaboration with surgeons and universities worldwide, constantly investing in medical education, innovative technologies, and personalized solutions.

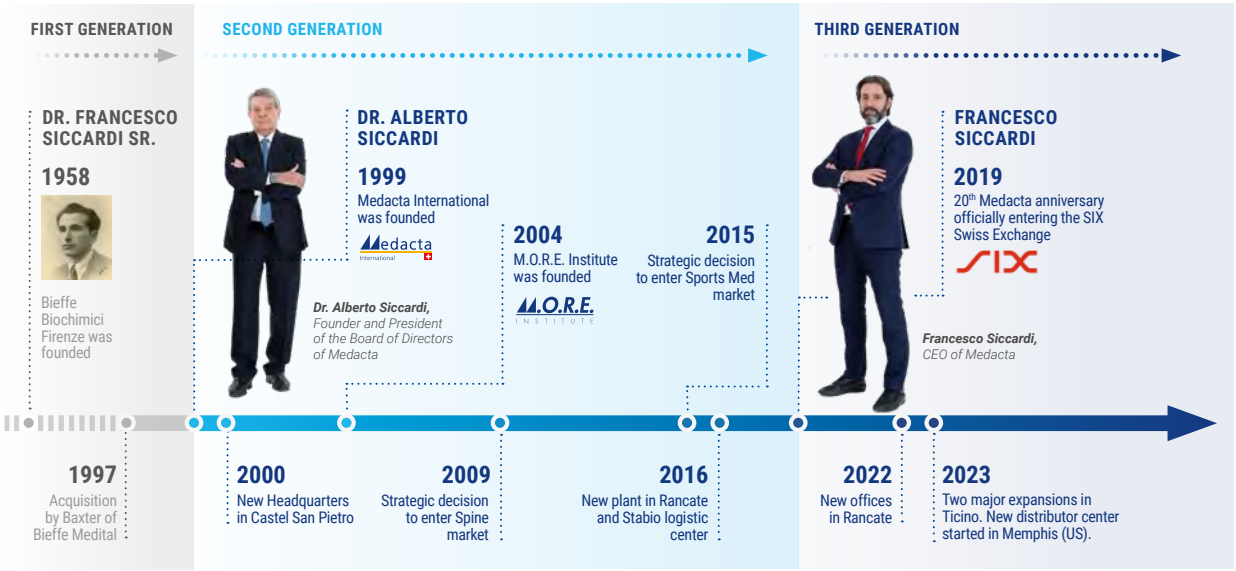
3. A UNIQUE HISTORY: FOUNDED BY A PATIENT

ONE FAMILY, THREE GENERATIONS COMMITTED TO ADVANCING HEALTHCARE

Our journey centers around the Siccardi family's unwavering commitment to improving patient outcomes and healthcare sustainability. This dedication spans three generations, with each bringing a unique perspective, experience, and passion. It began in the 1950s when Francesco Siccardi Sr. acquired Bieffe Biochimici Firenze, a manufacturer of intravenous therapy and dialysis solutions, which was sold to Baxter, an American healthcare company, in 1997. In 1999, Alberto Siccardi, our founder, chairman, and former CEO, established Medacta after his own patient experience convinced him of the importance of pioneering an innovation-centered approach to joint replacement. In 2000, we inaugurated our Headquarters, manufacturing facility, and research and development site in Castel San Pietro, Switzerland. Introduced in 2004, AMIS (Anterior Minimally Invasive Surgery) debuted as Medacta's first minimally invasive hip technique. To date, over 650'000 procedures have been performed worldwide, making it a crucial element of our history. In the same year, we established the M.O.R.E. (Medacta Orthopaedic Research and Education) Institute to educate and engage with our surgeons. Initially focused on optimally performing the AMIS technique, it has evolved into a global medical education platform tailored to fulfill the needs of individual surgeons across all our business lines.

In 2019, we became a publicly listed company, officially entering the SIX Swiss Exchange. Adding to this significant milestone, a generational shift occurred as Francesco Siccardi assumed the role of CEO within the company.

In 2023, to support our constant growth, we began construction on two major expansions in Ticino. To strengthen our supply chain, we also opened a new distribution facility in Memphis, USA. Additionally, we launched GMK SpheriKA, the world's first knee implant optimized for Kinematic Alignment (KA), and celebrated the completion of the 500th M.O.R.E. Learning Center dedicated to our AMIS technique.



MEDACTA FURTHER EXPANDS IN RANCATE, SWITZERLAND, DOUBLING ITS PRODUCTION CAPABILITY TO SUPPORT THE FUTURE GROWTH

Medacta started the expansion of the new facility construction in Rancate, complementing the one already underway in Castel San Pietro, supporting future growth, and increased in-house production, needed to meet the high demand for Medacta products.

"In 2023 we celebrate another important milestone for Medacta. Built on strong values, our growth confirms our dedication to fostering our international expansion to meet patients, medical professionals, and healthcare systems' needs and expectations. We are excited to keep making investments in our future here in Ticino, Switzerland, where our company was founded," says Francesco Siccardi, CEO of Medacta.

Medacta's continuous investment and commitment to the Castel San Pietro and Rancate facilities is fundamental for the Company's forecasted growth. The Rancate expansion will add approximately 9'500 square meters over the next three years, while the Castel San Pietro growth will extend the production area by about 5'300 square meters and will be operational in the first quarter of 2024, with the creation of numerous new jobs. With this expansion, the two hubs of cutting-edge technology will double Medacta's production capability, enabling it to continue innovating responsibly for the benefit of patients, medical professionals, healthcare systems, and the local community.

In total, Medacta plants in Ticino are foreseen to cover more than 36'800 square meters.

Medacta's growth plan in Rancate

*Extremities include Shoulder and Sportsmed revenues.

4. GROWTH CAPEX MODEL

GROWTH CAPEX MODEL

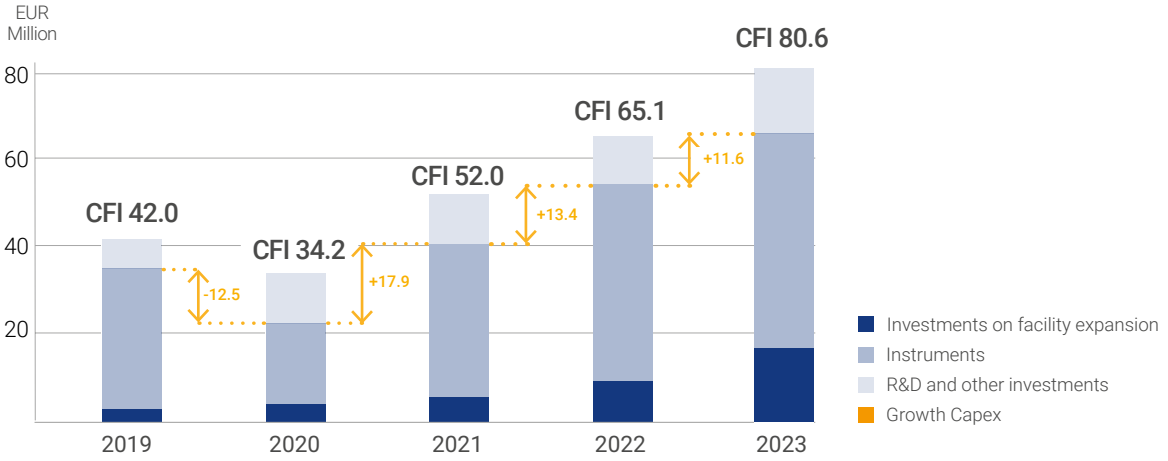
Within our strategic planning process, we annually assess the amount of CAPEX needed to help foster the planned growth.

A secure and steadily improving supply chain is essential for a high level of customer service and quality performance. To facilitate this, two primary investment categories have been strategically utilized:

- **Instrument sets** – to serve new customers and achieve the planned sales volumes.
- **Plant expansions** – to increase manufacturing capacity aligned to the growth strategy.

Here below we report the cash flow for investing activities (CFI) from 2019 to 2023, broken down by facility expansions (e.g. land & buildings, plants & machinery, assets under construction and leasehold improvement), instrument sets and R&D and other investments, showing the CAPEX change year-over-year:

GROWTH CAPEX 2019-2023



INSTRUMENT SETS

Surgical instruments are key components of the orthopedic industry. They are reusable devices which represent major investments for orthopedic companies. Surgical instruments for orthopedic procedures, primarily made from medical-grade stainless steel, involve a wide array of configurations to support all clinical needs and surgeon preferences. The standard cost for an instrument set can range from Euro 30 to 50 thousand depending on the specific surgical requirements and level of procedural complexity.

The Medacta instrument distribution model is primarily a consignment program. To ensure that our instruments are optimally employed, the usage rate of each set is monitored on a monthly basis.

Our CAPEX model for instrument growth is funded by the following two elements:

- **Organic growth materially above market** - Medacta growth in volume is mostly due to a significant increase of our customer acquisition. Supplying new customers requires a flow of instrumentation that is significantly above the volumes needed to maintain the existing pipeline. On average, supplying new customers with at least one kit could require an investment ranging from Euro 30 to 50 thousand, based on the business lines involved and the specific needs of the new customers.
- **Timing difference** - from a supply chain perspective an up-front investment in instrument sets is essential to enable implant sales. The timing of the revenue generation ramp could range from 6 to 12 months, based on several factors which depend mainly on the respective surgical planning.

PLANT EXPANSIONS

Along with the major expansions in Ticino, we are strategically investing in our logistics and distribution infrastructure to ensure the efficient delivery of our products worldwide. In March 2023, we celebrated the opening of a new distribution facility in Memphis, Medacta Americas Operations, to serve the US market. With this expansion, we now occupy over 108'000 square meters 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. Additionally, we have identified a potential location in northern Italy, to establish a second Distribution Center, Medacta Europe Operations, which will serve the European market. This new facility is expected to have up to 10'000 square meters of space and should become operational in mid-2025.

Memphis (TN) US Distribution Facility

5. PEOPLE AND CULTURE

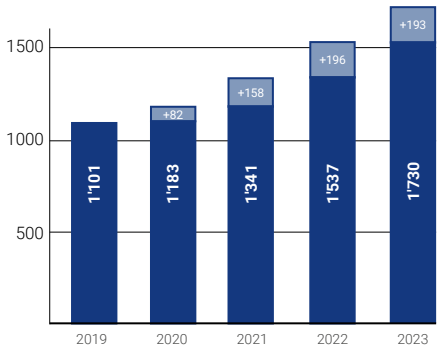
HUMAN CAPITAL AT THE HEART OF OUR BUSINESS

Medacta's constantly expanding organization requires a business structure designed to provide resiliency over the years across business cycles. Therefore, one of our most valuable assets is human capital. To fully harness its potential, we adopted a people-centered strategy and cultivated an engaging, productive, and rewarding work environment. At Medacta, human capital is made up of an ecosystem of talented people who actively collaborate and rely on each other's strengths and contributions, to sustain the authenticity and competitiveness of our company. Our worldwide team, which has surpassed the milestone of 1'700 members, is the backbone of our company and the powerful engine that drives us forward, through diverse experiences and perspectives. This enables us to tackle challenges, foster our pursuit of excellence, and effectively help surgeons enhance patient outcomes and satisfaction. Moreover, we regularly interact with a network of expert surgeons to exchange ideas, develop new solutions, and advance our techniques. This network continues to grow and contributes to guiding new surgeons in discovering the benefits of our innovative solutions. Our vision of improving patient care, and our culture, inspires and empowers our employees to achieve the company's strategic goals, providing value for the stakeholders, and ensuring long-term success.

HUMAN RESOURCES ORGANIZATION

Our Human Resources (HR) function is responsible for the centralized control of all global HR policy and process formulation and has developed an HR framework setting out the strategic priorities that will support the business needs today and in the future. This was essential for the tremendous expansion our company is experiencing, which is evident in the number of employees, that has increased by more than 50% over the past four years.

Global Headcount Evolution



Employee Value Proposition (EVP)

In today's competitive landscape, cultivating a well-defined Employee Value Proposition represents a powerful tool for differentiating the company and attracting the best talents. Our strong Employee Value Proposition has been designed to offer tangible and intangible benefits, opportunities, and experiences available for employees to receive when working at Medacta.

Talent acquisition

In a company experiencing rapid growth like ours, talent acquisition is crucial. New personnel bring fresh ideas, perspectives, skills, and expertise, positively contributing to the team's development and advancement. Therefore, we are committed to attracting the best talent in the industry by offering them the opportunity to build a successful career with us. We provide the professional training and support they need to reach their full potential, and a challenging and rewarding work environment. Moreover, we leverage our Employee Value Proposition with a strong organizational culture and an impactful onboarding process.

Total rewards

Our program has been developed to provide comprehensive & competitive strategies, encompassing both financial and non-financial rewards. By aligning total rewards with the organization's overall goals, we aim to foster a positive and engaging work environment that encourages employee growth and development.

Talent & performance management

We constantly refine our system to support optimal performance of our employees. It includes a structured process to gather information about the employee's engagement and commitment to our values, and jointly develop objectives for the year to ensure performance aligns with expectations.

Professional development

For us, complete and continuous professional training is the basis of a conscious and responsible approach to work. Through our Medacta Academy and HR function, we offer the opportunity to consolidate and increase professional and personal skills through tailor-made training programs for each employee. Professional development contributes to individual growth, new talent attainment, increased engagement, a sense of loyalty among the workforce, and organizational success.

A STRONG IDENTITY SUSTAINED BY A SOLID CULTURE

At Medacta, we are committed to protecting and managing our human capital by maintaining a solid identity, supported by a strong culture.

MEDACTA IDENTITY

A solid corporate identity is what makes a company unique and recognizable. Medacta's identity is based on the company's unique history. In fact, we are the only orthopedic company founded by a patient, Alberto Siccardi, whose own journey as a hip patient convinced him of the importance of pioneering a new approach to joint replacement. Our company's vision and mission reflect the passion, courage, and trust of our founder. These qualities create a sense of belonging and inspire everyone in the company's daily operations.

MEDACTA CULTURE

At Medacta, we always strive to strengthen our #beMedacta culture, a key to sustainable success, actively contributing to our growth. We want to ensure that all our employees understand and demonstrate our culture and values to build and sustain our continuous improvement processes successfully. We believe it is of the utmost importance that these values are kept alive and, above all, transferred to all the people who have joined and will join our company in the coming years. Our values and their evaluation are integrated into our talent acquisition process, as well as our onboarding activities, Code of Business Conduct and Ethics, and within our performance and talent management processes.

INTEGRITY
Always be honest and upright

TRUST AND ACCOUNTABILITY
See it, Own it, Solve it, Do it

RESULTS ORIENTATION
Know your goal, focus on it

TEAM WORK
Leverage collective genius

LOYALTY
Be Medacta

MEDACTA FAMILY OPEN DAY

On Saturday, April 22, 2023, we celebrated the first Medacta Family Open Day, an event dedicated to our local team in Ticino and their families. The event took place in Riva San Vitale, Canton Ticino, Switzerland. During the Open Day, many participants competed passionately in several sports tournaments organized for both adults and kids. In the morning, we opened the doors of our facilities at Castel San Pietro and Rancate to allow a site visit to our employees and their families.

what we do matters

WHAT WE DO MATTERS

During the year, we continued to promote the inspiring "What We Do Matters" awareness campaign, with the aim to bring the stories of our patients to the forefront and showcase how our solutions have a positive impact on their lives, ensuring that all employees see the value of their work and remain inspired to develop improved solutions.

> ***"I'm back to normal life because I feel very stable. I have a good balance and I don't even think about my knee. That's perfect!"***
> *Knee patient*

6. VALUE CREATION STRATEGY

AN OVERVIEW OF THE ORTHOPEDIC MARKET

The orthopedic market is a large and growing industry that encompasses the development, manufacturing, and distribution of medical devices and implants used to treat musculoskeletal disorders. The market is driven by factors like the aging global population, rising incidences of orthopedic diseases, and advancements in medical technology. This led to growth in procedural volumes, frequent new product introductions, and evolving industry standards resulting from innovation and scientific discoveries. Furthermore, orthopedic patients have direct and easier access to information online, which has empowered them to become more informed about their conditions and treatment options. This evolving situation is exerting pressure on healthcare systems worldwide, compelling them to grapple with various challenges. These include minimizing costs while simultaneously providing high-quality care, all in alignment with the heightened expectations of patients.

Currently, healthcare sustainability is garnering considerable attention globally, especially in the US market. Ambulatory Surgery Centers (ASCs) play a crucial role in this landscape by offering same-day surgical care, including diagnostic and preventive procedures, without the need for hospital admission, representing a significant growth driver. These facilities can perform surgeries at a lower cost, with shorter waiting times and potentially better outcomes (e.g., early mobilization and lower risk of infection), which benefits both patients and the entire healthcare system. At Medacta, we focus on a differentiated approach to the opportunities within the ASC environment.

A DIFFERENTIATED APPROACH

Our differentiated approach centers on responsible and sustainable innovation that provides significant benefits for surgeons, the healthcare system, and patients. We combine innovative, minimally invasive, and personalized treatment options with a comprehensive product portfolio and cutting-edge technologies to provide solutions that positively impact patient well-being and enhance healthcare efficiency.

To address any potential learning curves, the M.O.R.E. Institute provides our existing and new surgeons with ample educational opportunities to develop and refine their skills with our innovative products, techniques, and technologies.

INTEGRATED STRATEGY

At Medacta, our value creation strategy is basically built on three fundamental and deeply integrated assets: responsible and sustainable innovation, medical education, and healthcare sustainability. By combining these assets with a holistic approach to personalized medicine, we can foster long-lasting relationships with surgeons, hospitals, and healthcare providers, and achieve our vision of improving the care and well-being of orthopedic patients worldwide.

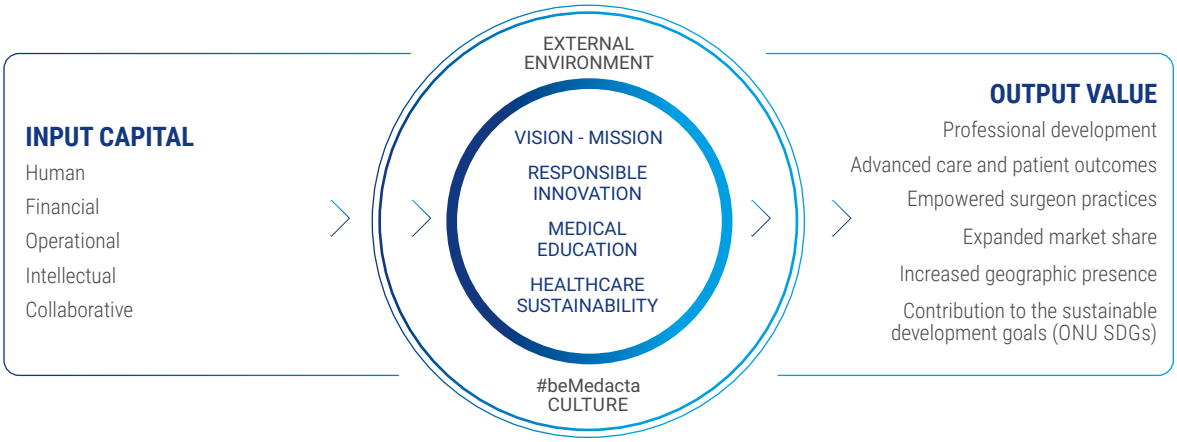
- RESPONSIBLE INNOVATION
  is the foundation of all our projects and the basis of our growth strategy. We drive our innovation by providing minimally invasive surgery and personalized solutions designed for every patient, with the aim to improve their care pathway and potentially enable better outcomes. We are convinced that innovation requires medical education.

- MEDICAL EDUCATION
  is an indispensable tool for transforming our innovation into concrete benefits for patient well-being and healthcare system efficiency. We provide surgeons with personalized, structured, and accessible education programs on our innovative technologies and procedures, to help them accelerate the learning curve to become proficient in the use of our products and solutions.

- HEALTHCARE SUSTAINABILITY
  is a key element in making our innovation and training programs as accessible as possible. It guides the design of our solutions to make them more efficient, reducing costs and complementing operative workflow efficiently.

BUSINESS MODEL

Our business model embodies the way we generate value. We leverage different resources, defined as input capitals, and turn them into outcomes, defined as output capitals, through a series of processes with the aim of having a positive impact and enhancing value for all our stakeholders over the short, medium, and long term. The external environment, including economic conditions, technological change, and societal and environmental challenges, sets the context within which we operate. The vision, mission, and fundamental assets encompass the whole organization, identifying the complete scenario in which we operate.



INPUT CAPITAL

The input capital comprises diverse areas in continuous interaction.

HUMAN

We can count on more than 1'800 specialized and talented employees worldwide. They are motivated and share strong identity, solid culture, and ethical values. The investments in training programs allow for the continuous updating of their knowledge, competencies, and expertise.

FINANCIAL

We have a healthy balance sheet which highlights the strength of our business and its ability to weather any economic storms and fund significant investments.

OPERATIONAL

We have full in-house capabilities, in our two production sites in Castel San Pietro and Rancate, designing and producing our products, assuring excellent quality, flexibility, continuity, and efficiency. The extensive use of advanced technology allows to minimize operational cost, increase control over the process, assure quality, and shorten production lead times.

INTELLECTUAL

In the orthopedic industry, legal compliance, agreements, and intellectual property rights are essential. New techniques, products and technology handled by the R&D department, as NextAR our proprietary Augmented Reality Surgical Platform, represent intellectual capital that we are committed to protecting.

COLLABORATIVE

We comply with certifications and registrations in all of the countries where we operate for each new product, partnering with various certification agencies, such as the Food and Drug Administration ("FDA") in the United States. We collaborate with top universities, technological consortiums, expert surgeons, and centers of excellence throughout the world.

OUTPUT VALUE

The input capital follows a transformational process, to generate tangible results as output value.

PROFESSIONAL DEVELOPMENT

Through our Medacta Academy we contribute to consolidate and increase professional and personal skills through tailor-made training programs for each employee.

ADVANCED CARE AND PATIENT OUTCOMES

We are dedicated to improving patient well-being by constantly evolving and innovating our products and techniques by leveraging cutting-edge technologies, prioritizing minimally invasive and personalized solutions.

EMPOWERED SURGEON PRACTICES

We are completely committed to supporting surgeons in their practice by providing them with innovative solutions that enhance accuracy, efficiency, and sustainability throughout the whole patient journey, from preoperative to intraoperative to postoperative care.

EXPANDED MARKET SHARE

We continue expanding our market share in all of our business lines, focusing on meeting our customer's needs while investing in R&D, experienced sales force and personalized solutions.

INCREASED GEOGRAPHIC PRESENCE

As part of our growth strategy, we continue to make considerable investments to expand our geographic presence in significant markets, upscaling our operational opportunities.

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (ONU SDGS)

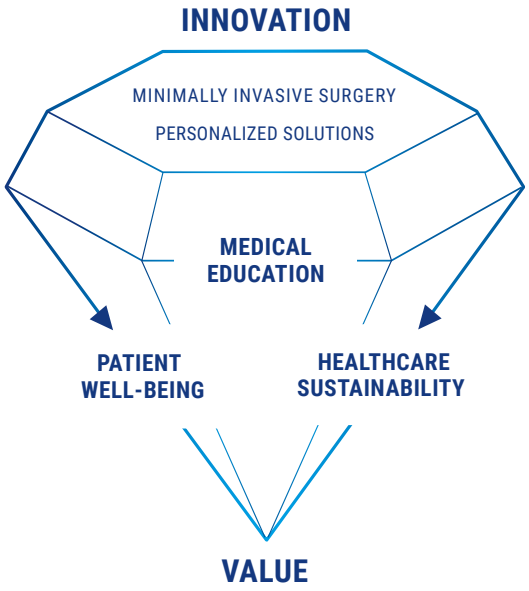
We constantly improve our contribution to innovative solutions, caring for people, for the environment and for our community, according to the "SDGs" defined by the United Nations. More details are available in our Sustainability Report.

6.1 RESPONSIBLE AND SUSTAINABLE INNOVATION

We are fully committed to improving patient outcomes and satisfaction through responsible and sustainable innovation. We envision innovation as a valuable asset, much like a diamond, which can address unmet clinical needs and solve challenges, positively impacting patient well-being and healthcare sustainability.

Our commitment to innovation is reflected in our unique surgical techniques, products, and solutions. We prioritize minimally invasive techniques and personalized solutions to meet each patient's needs. Through personalized high-level medical education programs, we transform cutting-edge innovation into tangible benefits for patient well-being and healthcare sustainability, striving to create value for our stakeholders.

We strongly advocate for responsible and secure innovation. Our dedication to upholding the utmost standards of quality and compliance in the production and distribution of safe, effective products is reinforced by the M.O.R.E. Excellence Clinical Program. This program ensures the responsible market introduction of innovative products, gradually progressing toward their full release after obtaining regulatory approvals.



MINIMALLY INVASIVE TECHNIQUES

Since our founding, we have recognized that minimally invasive surgery offers a range of benefits for patients, surgeons, and healthcare systems, including short hospitalization, reduced postoperative pain, immediate muscle tone preservation, and shorter rehabilitation time. Hence, we have developed new offerings based on minimally invasive techniques such as AMIS, MIS MySpine MC, and NextAR Spine MIS LT.

PERSONALIZED SOLUTION

Each patient is different and has specific needs and expectations. Therefore, it is fundamental for us to improve the entire patient experience through a personalized journey, designed for their unique anatomy and expectations. Personalized techniques such as Kinematic Alignment and cutting-edge solutions like those included in the MySolutions Personalized Ecosystem can help surgeons improve patient outcomes and satisfaction.

M.O.R.E. Excellence CLINICAL PROGRAM

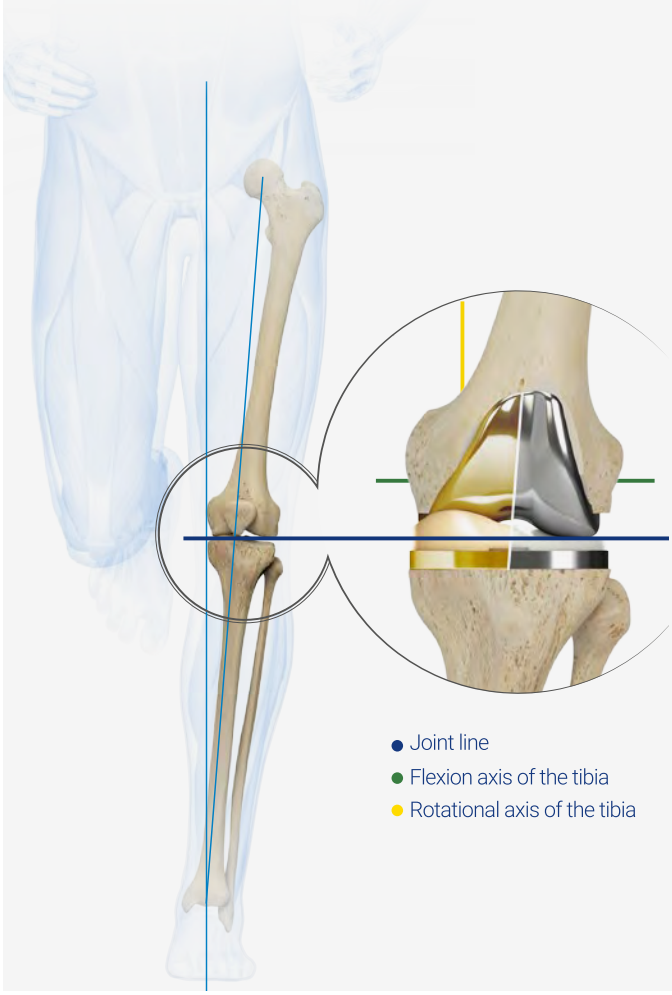
This program enables us to responsibly introduce innovative products to the marketplace by defining the applicable steps and milestones ahead of their full release. We typically release new products on a restricted basis to conduct voluntary clinical programs, following the guidelines recommended by independent organizations, such as the Orthopedic Data Evaluation Panel or the Beyond Compliance Program.

We continuously monitor and assess the clinical performance of all our products by way of our post-market surveillance program, which channels data to an internal group of experts who compile a report to ensure the system performance is fully evaluated. Moreover, we sponsor and participate in clinical post-market studies conducted by leading international experts to continuously improve our knowledge and make these results available to the scientific community through peer-reviewed publications.

KINEMATIC ALIGNMENT MEETS KINEMATIC DESIGN

For a decade now, we've been at the forefront, paving the way in redefining how knee arthroplasty is approached. Therefore, we have collaborated with our surgeons to develop an innovative personalized technique to improve knee patient outcomes and satisfaction: Kinematic Alignment.

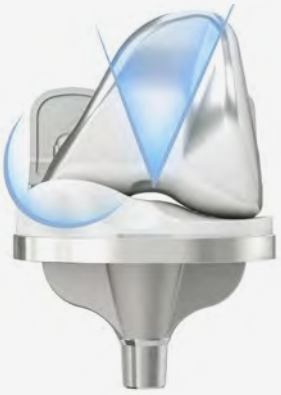
Compared to traditional surgeries using Mechanical Alignment (MA), which intends to give every patient a straight "knee alignment", even if the patient's leg wasn't naturally straight when healthy, with Kinematic Alignment (KA), the surgeon aims to restore the natural knee shape and alignment that each patient had when their knee was still healthy - matching the knee replacement to each patient's individual anatomy. It operates by custom-positioning the knee implant to the native joint line of the knee as it was in its pre-arthritic state while preserving the surrounding tissues and ligaments. Medacta's unique Kinematic Alignment Platform (MyKA), provides surgeons with the most comprehensive solution to safely and reproducibly perform Kinematic Alignment.



In 2023, we officially launched GMK SpheriKA, the first knee implant optimized for Kinematic Alignment with the intention to further improve Kinematic Alignment results and, ultimately, patient satisfaction. The GMK SpheriKA has been built on extensive scientific anthropometric research that includes more than 150'000 CT and MRI scans of different demographic patient parameters. Moreover, this innovative implant leverages more than 10 years of clinical experience and evidence in successful implant design for knee replacement.*

GMK® SPHERIKA

THE FIRST KA-OPTIMIZED IMPLANT



MyKA™ KINEMATIC ALIGNMENT PLATFORM

A COMPREHENSIVE PLATFORM FOR PERSONALIZED TKA

* Peter F. Choong et al., "A Randomized Controlled Trial Comparing a Medial Stabilized Total Knee Prosthesis to a Cruciate Retaining and Posterior Stabilized Design: A Report of the Clinical and Functional Outcomes Following Total Knee Replacement", The Journal of Arthroplasty Jan 2020: 1-8

SCOTT, David F.; GRAY, Celeste G. Outcomes are better with a medial-stabilized vs a posterior-stabilized total knee implanted with kinematic alignment. The Journal of Arthroplasty, 2022, 37.8: S852-S858.

G. Pandy et al., "Comparison of posterior-stabilized, cruciate-retaining, and medial-stabilized knee implant motion during gait", J Orthop Res. Jan 2020: 1-16

SCHÜTZ, Pascal, et al. Kinematic evaluation of the GMK sphere implant during gait activities: a dynamic videofluoroscopy study. Journal of Orthopaedic Research®, 2019, 37.11: 2337-2347.

INNOVATION PILLARS

At Medacta, innovation is based on three pillars: a strong and continued collaboration with surgeons, continuous investments in long-term and short-term research and development (R&D), and the adoption of cutting-edge technologies.

STRONG COLLABORATION WITH SURGEONS

Listening to surgeons, identifying patient requirements, and designing new solutions enables us to respond to unmet clinical needs proactively. We collaborate on a regular basis with internationally recognized surgeons, leading universities, and hospital research institutions on innovative surgical techniques and the evolution of our products and methodologies. A successful example of this collaboration is our GMK Sphere, a total knee implant designed to deliver maximum functional stability with the goal of increasing total knee arthroplasty (TKA) patient satisfaction. The development of this innovative device has been substantially supported by the knee anatomy and kinematics studies by Prof. Freeman and Prof. Pinskerova.

RESEARCH AND DEVELOPMENT

Research and Development (R&D) is vital for our innovation at Medacta. We continuously invest in R&D to explore novel approaches, surgical techniques, technologies, and product improvements that enhance patient outcomes and satisfaction. Our well-prepared, competent, and rapidly evolving team is focused on achieving high standards of quality, flexibility, continuity, and efficiency. Additionally, we have a range of in-house research resources, including MyBody, which contains over 150'000 CT and MRI scans of different demographic patients' parameters. We also have advanced 3D printing capabilities and facilities for prototype development.

CUTTING-EDGE TECHNOLOGIES

We are enhancing our robust product pipeline by strategically integrating advanced, cutting-edge technologies. This is driven by using big data, harnessing the power of state-of-the-art manufacturing techniques, utilizing smart robotics, embracing Augmented Reality (AR), and incorporating precision surface technology.

NEXTAR AUGMENTED REALITY SURGICAL PLATFORM

The NextAR Platform leverages patient-specific, unique real-time data to efficiently complement operative workflow. Through advanced 3D planning tools, a revolutionary, compact, integrated single-use tracking system, and the latest advancements in Augmented Reality, the platform enables data-driven decision-making allowing the surgeon to perform personalized adjustments based on each patient's unique anatomy and biomechanics. Since its official introduction in 2021, NextAR is a personalized, proprietary and sustainable solution successfully used to treat thousands of patients worldwide in high demand in all our markets. NextAR is part of the MySolutions Personalized Ecosystem.

MYSOLUTIONS PERSONALIZED ECOSYSTEM

In a world where technology advances very fast, MySolutions Personalized Ecosystem embodies our vision to never stop improving the experience for patients, surgeons, and care facilities.

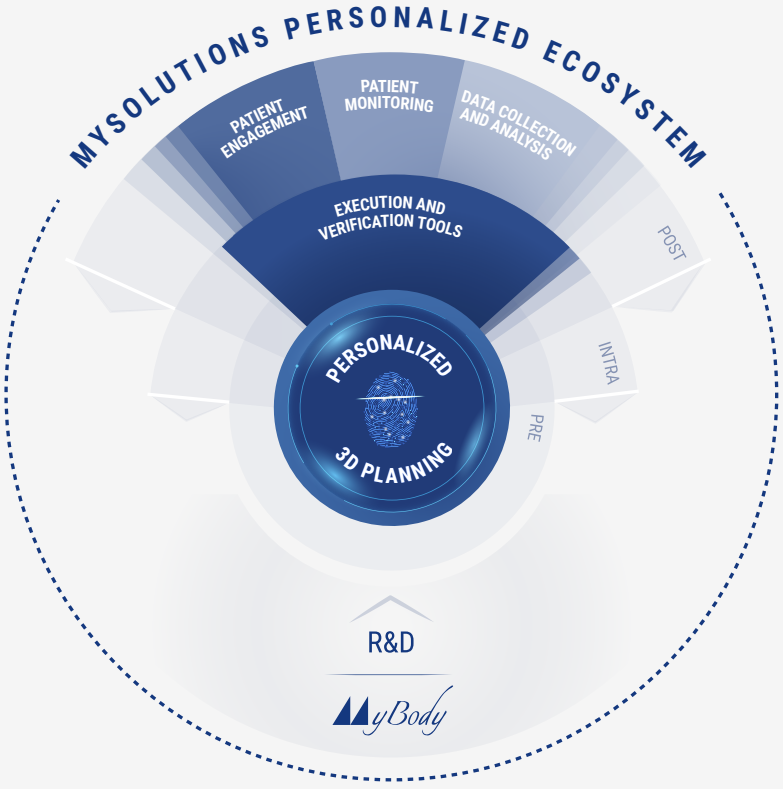
Leveraging the latest technological advances, we are committed to constantly developing innovative solutions to empower the surgeon's practice, enabling data-driven decisions to provide more personalized, accurate, and efficient procedures aiming at better patient satisfaction and outcomes. This has led us to design a network of advanced digital solutions to improve patient outcomes and healthcare efficiency, the MySolutions Personalized Ecosystem. With more than 220'000 procedures performed worldwide, this constantly evolving platform has been designed around the patient's needs and expectations in collaboration with an international network of expert surgeons, with the aim of delivering value throughout the entire patient journey in joint replacement and spine surgery.

Surgeons' advanced 3D planning is at the core of our platform, followed by highly accurate execution tools such as patient-matched surgical guides, as well as an augmented-reality-based surgical platform and verification software. To improve the patient experience and support them during the continuum of care, we set up a patient-optimized pathway tool. To let surgeons record and measure their clinical outcomes we offer a validated web-based archiving and analyzing system. Together with our comprehensive implant portfolio and surgical techniques, MySolutions Personalized Ecosystem empowers our holistic approach to personalized medicine.

In 2023, we enhanced our MySolutions Personalized Ecosystem even more. We announced the first European and US Peri-Acetabular Osteotomy procedures using the MyPAO Platform, a unique solution for acetabular realignment, and the official launch of the NextAR Spine MIS LT procedure, efficiently complementing the operative workflow for spine surgery.

A NETWORK OF ADVANCED DIGITAL SOLUTIONS DESIGNED TO IMPROVE PATIENT OUTCOMES AND HEALTHCARE EFFICIENCY

- PERSONALIZED 3D PLANNING
- PRECISE EXECUTION
- PATIENT ENGAGEMENT
- EFFICIENT CASE MANAGEMENT



6.2 MEDICAL EDUCATION

We strongly believe that medical education is a fundamental asset of our long-term value-creation strategy and is an indispensable tool for transforming our innovations into tangible benefits for patient well-being and enhancing the efficiency of the healthcare system.

THE M.O.R.E. INSTITUTE: A PLATFORM DESIGNED TO SHARE EXPERIENCE

Aware of the importance of education, we established the M.O.R.E. (Medacta Orthopaedic Research and Education) Institute in 2004. This global medical education platform provides surgeons with personalized and structured education programs and continuous support to facilitate them becoming proficient with our innovative products, techniques, and technologies. The M.O.R.E. Institute relies on an international network of expert surgeons to create interactive networking opportunities and a variety of educational events, facilitating the learning and sharing of experiences, including one-to-one visits, online webinars and Meet the Experts, wet labs, scientific evenings, and international symposia. The M.O.R.E. Institute also supports fellowship programs worldwide, with a strong focus on young and promising surgeons. "With the M.O.R.E. Institute, the surgeon is never alone when discovering new technologies" is our educational motto.

2ND EUROPEAN KINEMATIC ALIGNMENT SUMMIT

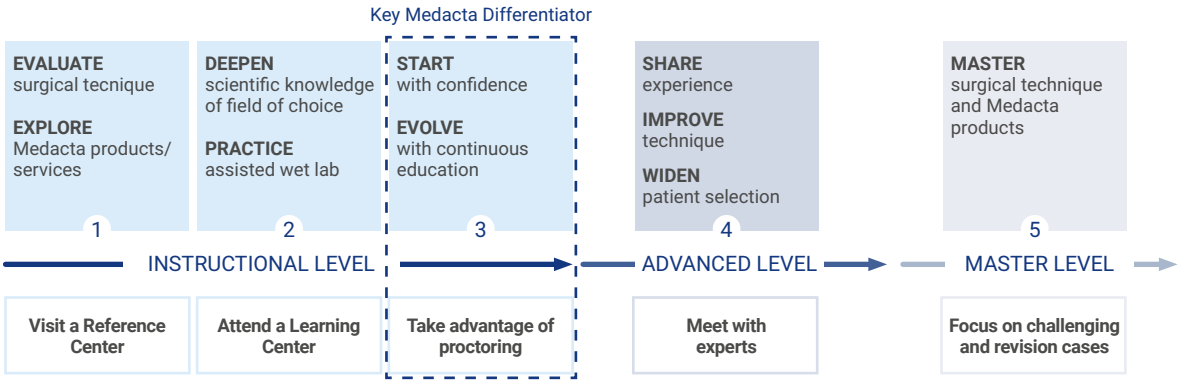
In September 2023, over 100 participants from 11 countries around the world attended our 2nd European Kinematic Alignment Summit at the Keble College of Oxford University. This immersive educational event allowed participants to share their experiences about Kinematic Alignment and its ultimate impact on patient outcomes.

Moreover, this event was the perfect occasion to share initial data on GMK SpheriKA, the first knee implant optimized for Kinematic Alignment. This product offers tremendous potential to further improve kinematic alignment results and positively impact patient satisfaction.

> *" It is very exciting to see this level of enthusiasm especially because at the beginning it was not easy to see the advantages of this technique. My feeling is that Kinematic Alignment is changing dramatically the way total knees are going to be done in the years to come "*
>
> ***Francesco Siccardi***
> *CEO of Medacta*

THE CHALLENGE OF THE LEARNING PROCESS

Introducing new techniques, products, and technologies requires time to adapt and often involves a learning curve. This is why we believe that "innovation requires education" and offer our surgeons personalized and structured educational opportunities focused on improving patient outcomes through enhanced surgical proficiency. Through the M.O.R.E. education path, participants can visit experienced surgeons to learn more about our innovative portfolio, attend Learning Centers to practice during wet labs, and deepen their knowledge through discussions with our international surgeon experts, progressively advancing from instructional, to advanced, and finally to the master level. Surgeon-to-surgeon proctorship is a crucial part of this learning process, providing unparalleled support to surgeons during their first surgeries at their own hospitals.



THE VALUE OF OUR EDUCATION PROGRAMS

During 2023, we witnessed increased interest in our educational programs, with a high number of participants from around the world. Additionally, we celebrated the completion of the 500th M.O.R.E. Learning Center for our AMIS technique.

It all started in 2004 when we collaborated with an international group of expert surgeons to create the unique AMIS Education Program. This program, which over the years has been extended to all Medacta business lines, provides surgeons with a tailored and comprehensive training path, which allows for technique proficiency and encourages the sharing of knowledge and experiences, thereby reducing potential challenges in the early phase of the learning curve[1,2]. This program has become a dynamic global platform with an education community including more than 260 AMIS Reference Centers worldwide to date.

Furthermore, in 2023, we released a comprehensive education program dedicated to NextAR, which allows surgeons to have a proficient use of this technology and encourages the sharing of knowledge and experiences among the scientific community. We also completed the certification process for NextAR Experts all around the world to effectively support new surgeons.

A STRONG PARTNERSHIP WITH SURGEONS

Education initiatives enable us to forge robust partnerships with surgeons, fostering the widespread adoption of our products and solutions and contributing to their retention and loyalty. Additionally, we believe that our close collaboration with surgeons benefits us in developing and refining our products and techniques, staying up-to-date with and influencing the latest advancements in the orthopedic field.

EDUCATIONAL ACTIVITIES AND OPPORTUNITIES

In 2023, we continued our commitment to medical education with more than 2'900 surgeons attending educational activities. Complimenting the in-person scientific events, the M.O.R.E. Institute programs offer surgeons valuable online resources to deepen their knowledge and discover more about our solutions, including eLearning Classes, webinars, and online "Meet the Expert" exclusive events. Moreover, surgeons can access many hours of on-demand medical education through Medacta TV, our streaming platform, along with our whole education library, available 24/7 on iOS or Android-based tablets or mobile devices, both online and offline through the specially designed M.O.R.E. App.

1 Müller DA, Zingg PO, Dora C. Anterior minimally invasive approach for total hip replacement: five-year survivorship and learning curve. Hip Int 2014.

2 Zing P. AMIS using Versafitcup and Quadra to overcome tissue response: 5-year results. Podium presentation at the 7th M.O.R.E. International Symposium, Lugano, Switzerland, April 11-12, 2014.

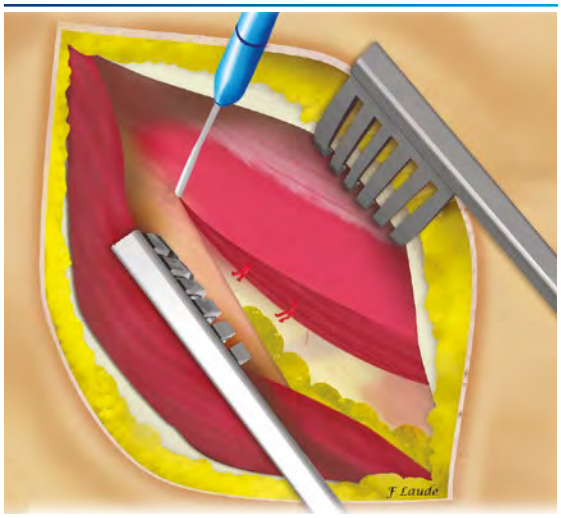
6.3 HEALTHCARE SUSTAINABILITY

The growing and aging population is placing an increased demand on healthcare, putting pressure on healthcare systems around the world to reduce costs while meeting patient expectations. We remain committed to designing products, solutions, and surgical procedures to improve patient well-being and satisfaction, facilitate the work of our surgeons, and increase healthcare sustainability by improving efficiency while reducing surgical costs.

Through ongoing communication with hospitals and surgeons worldwide, we strive to understand how we can streamline treatments and provide solutions that can positively impact their processes and operations. Furthermore, we are dedicated to continuously improving the R&D process to promote integrated sustainability in all of our projects. Minimally invasive techniques, single-use instruments, patient-matched solutions, and cutting-edge technologies remain our key areas of focus.

MINIMALLY INVASIVE TECHNIQUES

The AMIS technique represents a streamlined and reproducible technique that delivers significant benefits to patient well-being while optimizing costs and efficiency for the surgeon. With our range of targeted AMIS education initiatives led by global surgeon experts, along with dedicated implants, instruments, and additional services and tools, it provides a comprehensive offering to successfully perform minimally invasive hip procedures.



SINGLE-USE INSTRUMENTS

GMK Efficiency is a complete single-use instrument set developed to optimize instrument management, providing significant clinical, logistical, and economic benefits to hospitals and, in particular, outpatient surgical centers. It does not require preoperative sterilization, saves the use of clean water, and also has the potential to reduce infection risks because of its single-use nature and the fact that it is delivered terminally sterile. Since its market introduction, we have been offsetting the amount of CO_2 related to its lifecycle, supporting environmental sustainability projects initiated by Swiss Climate. Procedures that combine patient-specific instrumentation with single-use instrumentation have proved to save time in the Operating Room (OR) and simplify the OR scheduling.[3,4,5,6]

GMK Efficiency is also part of the Efficiency KneePack, a complete solution to perform Total Knee Replacement, that also includes MyKnee patient-matched guides and GMK Sphere medially stabilized total knee implant. Delivered terminally sterile in a single, lightweight box, to streamline instrument management and reduce surgery time, it provides huge economic and logistical benefits to every healthcare stakeholder.

3 Dell'Osso G, Celli F, Bottai V, Bugelli G, Citarelli C, Agostini G, Guido G, Giannotti S Single-Use Instrumentation Technologies in Knee Arthroplasty: State of The Art, Surg Technol Int. 2016 Apr 27;XXVIII. pii: sti28/727

4 Attard, Andre, Gwenllian Fflur Tawy, Michiel Simons, Philip Riches, Philip Rowe, and Leela C Biant. 2019. "Health Costs and Efficiencies of Patient-Specific and Single-Use Instrumentation in Total Knee Arthroplasty: A Randomised Controlled Trial." BMJ Open Quality 8 (2): e000493.

5 Tawy, Gwenllian F, and Leela C Biant. 2020. "Improving Intra-Operative Efficiency of Total Knee Arthroplasty with Patient-Specific and Single-Use Instrumentation." Journal of Orthopaedic Experience & Innovation, September.

6 Tyler D. Goldberg, MD, John A. Maltry, MD, "Logistical and Economic Advantages of Sterile-Packed, Single-Use Instruments for Total Knee Arthroplasty", The Journal of Arthroplasty 2019.

PATIENT-MATCHED SOLUTIONS

Backed by more than 10 years of clinical evidence, patient-matched technology facilitates accurate implant positioning and operating room efficiency. This solution combines a dedicated personalized 3D preoperative planning tool, based on CT or MRI scans of the patient's anatomy, with patient-matched 3D-printed guides that enable the surgeon to accurately replicate intraoperatively the validated planning. MIS MySpine MC is a patient-matched solution for spine surgeries that use the midline cortical approach. It allows for posterior lumbar fusion to be carried out in a minimally invasive, muscle-sparing way, resulting in shorter operating times and a substantial reduction of both radiation exposure and cost. The goal of MIS MySpine MC is to maximize the fusion rate and the predictability of clinical outcomes, thus positively impacting patient well-being. Our patient-matched solutions are available for hip, knee, shoulder, and spine procedures and are regularly used by thousands of surgeons around the world and are part of our MySolutions Personalized Ecosystem.

CUTTING-EDGE TECHNOLOGIES

Leveraging the latest advances in Augmented Reality, the NextAR Platform harnesses patient-specific, unique real-time data to efficiently complement the operative workflow. These valuable insights are displayed through the NextAR Smart Glasses directly onto the operative field to give the surgeon enhanced visualization and control during the procedure. The increased level of data may provide more precision and could lead to improved patient outcomes. In line with Medacta's philosophy of healthcare sustainability, the NextAR platform is offered as a hardware system with limited capital investment and single-use instrumentation at a low cost per case and provides the capability to host software for a variety of applications.

NEXTAR™

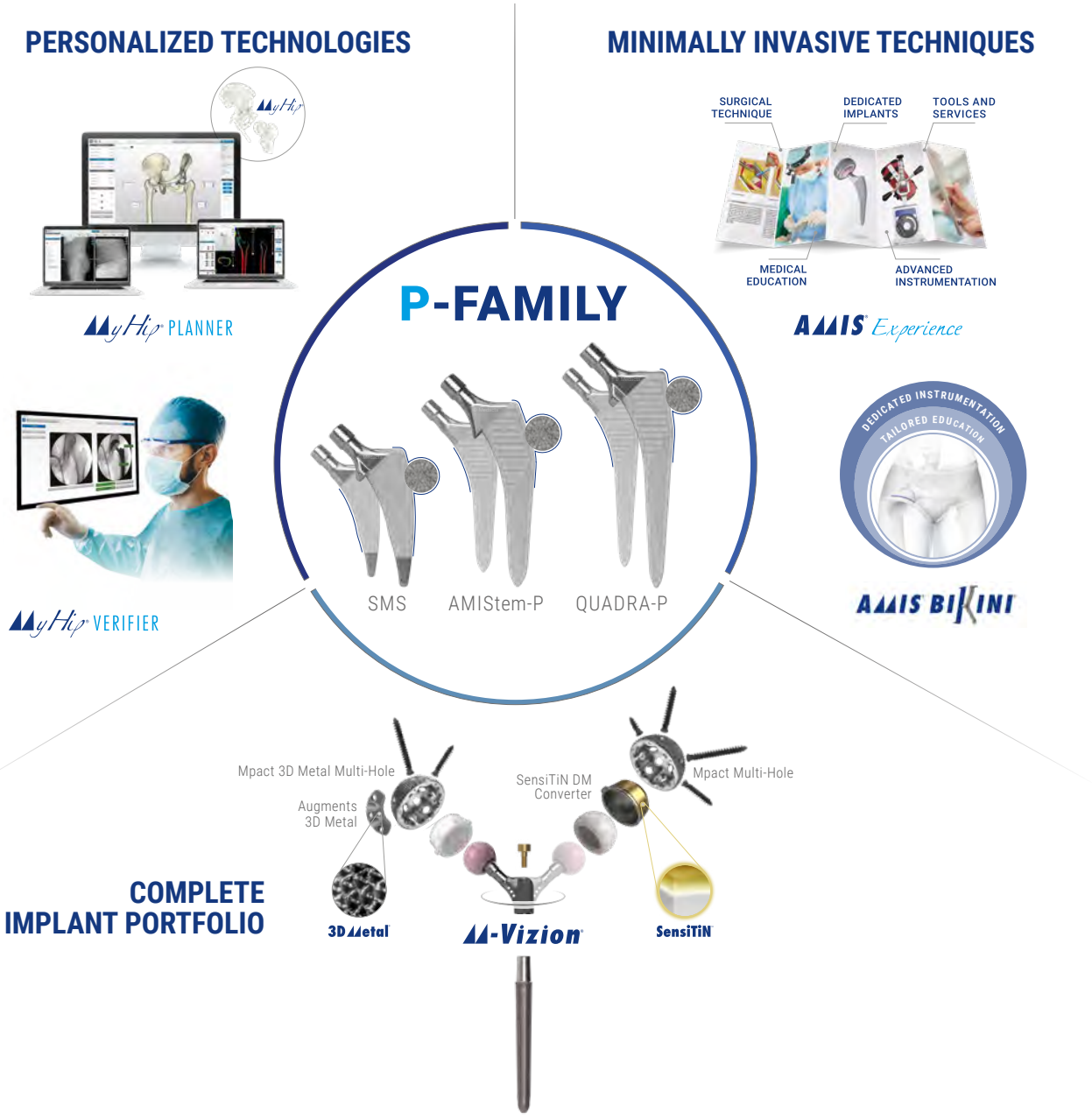
AUGMENTED REALITY SURGICAL PLATFORM

8. BUSINESS LINES

8.1 HIP

THE OVERALL HIP STRATEGY

Since our founding in 1999, we have been driven to advance the care and the satisfaction of our patients, bringing value throughout their entire orthopedic journey through minimally invasive and personalized solutions. We focused on developing new and improved products, techniques, and technologies for the hip segment of the orthopedic market. We created a comprehensive offering designed in collaboration with a network of international expert surgeons, based on three complementary assets: a complete implant portfolio that can be used for primary procedures (i.e., first-time hip replacements), as well as revision procedures (i.e., secondary hip replacements), minimally invasive techniques and personalized technologies. Our hip offering is supported by the M.O.R.E. Institute, which provides tailored high-level educational pathways through an international network of expert surgeons.



THE MEDACTA P-FAMILY HIP SYSTEM

The Medacta P-Family Hip System, the core of our hip offering, is a comprehensive set of tapered rectangular stems, which includes Quadra-P, AMIStem-P, and SMS, all of which are designed to meet today's surgical challenges. P-stems are the evolution of successful and proven femoral stem concepts and are based on the remarkable legacy and clinical heritage of Quadra-H and AMIStem-H. Both stems demonstrate solid ODEP ratings in 2023, respectively 13A* and 10A, and survivorship data[7]. AMIStem-P has been awarded in 2023 3A* ODEP rating. It was developed on the basis of the remarkable clinical heritage of AMIStem-H, with the goal of providing an improved load transfer through the application of a state-of-the-art coating (MectaGrip) on the proximal part of the stem, to be able to better address the modern challenges in THA. While preserving the characteristics which are important to the success of existing systems, the P-Family was developed using innovative key features to bring solid clinical performance to the current landscape of total hip arthroplasty (THA). A state-of-the-art coating (MectaGrip) on the proximal portion is designed to enhance initial stability, due to its high coefficient of friction and long-term fixation, thanks to its open and interconnected pores, which create a favorable environment for bony fixation. Progressive neck lengths, provide surgeons with a better tool to restore the native hip joint biomechanics in a broader patient population. Different lengths and canal-filling dimensions, as well as a comprehensive size range, give surgeons the ability to match an implant to the patient's current bone morphology.

MINIMALLY INVASIVE TECHNIQUES

Since our founding, we have become a pioneer in developing new offerings for hip replacement patients because of our minimally invasive surgical techniques, which are supported by our extensive surgeon training and education initiatives. In particular, we developed the AMIS technique, which can potentially deliver several advantages for the patient.[8,9,10,11] The AMIS technique, with more than 600'000 procedures performed worldwide, is a surgical technique involving an anterior approach to the hip that has been fine-tuned to minimize soft tissue damage, pain, and recovery time, reducing the dislocation rate and providing excellent patient satisfaction scores. By following both an intermuscular and an internervous path, the AMIS technique potentially reduces the risk of damage to periarticular structures and can improve overall patient outcomes. The AMIS technique is complemented by a unique package of supporting products, including dedicated implants, specifically designed instruments, and the AMIS Mobile Leg Positioner (a patented surgical table extension that allows for a simpler and reproducible procedure), as well as a specifically trained sales force. We believe that the AMIS Education Program, developed with the aim of optimizing and standardizing the implementation of the AMIS technique, has contributed to making the AMIS technique a preferential and easily reproducible hip replacement surgical technique for surgeons worldwide.

Our education opportunities are designed to master the AMIS technique from the simplest primary hip arthroplasties to the most complex cases. In 2023, The M.O.R.E. Institute reached remarkable milestones, including the completion of the 500th M.O.R.E. AMIS Learning Center, the inauguration of the 1st M.O.R.E. AMIS Learning Center Brasileiro, and the establishment of the 1st Italian M.O.R.E. Hip Revision Learning Center. Since 2004, we have welcomed surgeons from across the globe to our AMIS Learning Centers, providing a platform for them to immerse themselves in our Anterior Minimally Invasive Surgery (AMIS) technique. These accomplishments stand as testaments to our unwavering dedication to advancing medical education and promoting minimally invasive hip replacement procedures.

Our AMIS offering has been further enhanced by new packages that allow surgeons to take the anterior approach to the next level, such as the comprehensive AMIS Bikini offering. The bikini incision features a short, oblique skin incision within the inguinal skin fold, resulting in an aesthetically pleasing cosmetic scar that can be narrower and lighter in color, and remains hidden when wearing a bikini.[12,13,14,15] This technique may also help lessen wound healing concerns in obese patients or patients with a large abdomen pannus. [12,13,14,15] As part of the AMIS Experience platform, surgeons can experience the AMIS Bikini as an advanced technique within our tailored and comprehensive AMIS Educational Program, taking advantage of the support of a network of world-renowned experts as well as of a dedicated set of instruments specifically designed to optimize and simplify the bikini approach procedure and facilitate the soft tissue preservation.

7 Australian Orthopaedic Association National Joint Replacement Registry (AOANJRR), Automated Industry Report System (AIRS), ID No.9245 for Medacta Australia, Quadra-H Total Conventional Hip, (Procedures from 1 September 1999 - 20 February 2023), Accessed 21 February 2023

8 Laude F. Total hip arthroplasty through an anterior Hueter minimally invasive approach. Interact Surg (2006) 1: 5-11.

9 Dora C. Minimalinvasive Zugänge an der Hüfte. Orthopäedie Mitteilungen 6/07, 574-576.

10 Vasina PG, Rossi R, Giudice GM, Palumbi P. Hip arthroposthesis through the anterior minimally invasive approach. Sphera 2010;6(12) – Speciale Ortopedia.

11 Jayankura M, Roty M, Potaznik A, Rooze M, Cermak K, Remy P, Gillard B, Biltiau N, Schuind F. Isokinetic and isometric muscle strength recovery after total hip arthroplasty implanted by direct anterior approach. Podium presentation at the 10th Annual Congress of the EFORT, Vienna, Austria, June 3-6, 2009.

12 Menzies-Wilson, Richard & Mahalingham, Karuppiah & I, Tamimi & Field, Richard. (2019) "Retrospective cohort study comparing the functional outcomes of direct anterior approach hip arthroplasty. Oblique "bikini"vs longitudinal skin incision ".

13 Menzies-Wilson, Richard & Mahalingham, Karuppiah & I, Tamimi & Field, Richard. (2019)." Functional Outcomes of direct anterior approach hip arthroplasty: Oblique 'bikini' versus longitudinal skin incision. 10.1177/2210491719890883.

14 Leunig, Hutmacher, Ricchiardi, Impellizzeri, Rüdiger, Naal. (2018)" Skin crease 'bikini' incision for the direct anterior approach in total hip arthroplasty: a two- to four-year comparative study in 964 patients. Bone Joint J.

15 Manrique, MD, Paskey, BS a, Tarabichi, MD, Restrepo, MD, Foltz, PhD Hozack, MD. (2019) "Tota l Hip Arthroplasty Through the Direct Anterior Approach Using a Bikini Incision Can Be Safely Performed in Obese Patients". J Arthroplasty

PERSONALIZED TECHNOLOGIES

The hip portfolio is further enhanced by innovative technologies that deliver a personalized approach to hip replacement. As part of our MySolutions Personalized Ecosystem, MyHip provides 3D printed patient-matched guides allowing for more accurate positioning and sizing of the hip implant, MyHip Planner empowers the surgical decision-making process through a 3D preoperative planning tool with advanced analytical features, and MyHip Verifier allows for intraoperative non-invasive assessment of implant positioning.

MyHip Planner is an intuitive and reliable 3D preoperative planning tool with advanced analytical features. It empowers the surgical decision-making process in defining the optimal surgical strategy for each patient. Starting from a CT scan, the MyHip Planner algorithm recreates a 3D model of the patient's anatomy. Thanks to its advanced 3D planning and functional assessment features, this software allows the surgeon to base the implant selection and position on the patient's anatomy, hip joint biomechanics, and functional performances. Surgeons could thus carry out evaluations and make accurate decisions specifically for each case, potentially helping anticipate possible complications, instability or impingement, and reduced range of motion. Moreover, the MyHip Planner software features a spinopelvic analysis, which is a topic that has become increasingly in demand for better evaluating the relationships between hip and spine anatomical structures and optimizing mutual treatments for improving patient outcomes. Through the software is possible to request MyHip 3D printed patient-matched guides according to the elaborated planning has been integrated, further increasing the value of this tool. MyHip Verifier is an easy-to-use, non-invasive, fluoroscopy-based platform providing an intraoperative assessment of implant positioning. Engineered to seamlessly integrate into the surgeons' existing workflow and preserve operating room efficiency, MyHip Verifier allows for intraoperative fluoroscopy by providing a real-time numerical evaluation of the actual influence of implant positioning on the patient's anatomy.

PRIMARY IMPLANTS PORTFOLIO

Complementing the P-Family, our cementless stem portfolio includes MasterLoc and MiniMAX. With a tapered wedge femoral stem design, the MasterLoc Hip System is available in three versions (standard, lateralized, and lateralized plus), which allow for easier and more effective management of the patient's anatomy, completely independent from the leg length. This distinctive feature helps achieve good restoration of the hip joint biomechanics in nearly all patients. MiniMAX is an anatomical cementless stem engineered to provide the best fit and fill following the natural shape of the femoral canal. On the acetabular side, our solutions include among others, Versafitcup and Mpact System. Versafitcup is a complete system of elliptical cementless acetabular cups that share the same instrumentation, offering stability, as well as load and stress distribution. The Mpact System consists of hemispherical cementless acetabular cups that provide different solutions according to the patient's needs and can be used in primary and revision hip replacements. The SensiTiN Double Mobility (DM) Converter, a high-nitrogen-stainless steel completely cobalt-free modular DM device with an outer Titanium Nitride coating (SensiTiN), further enriches our acetabular platform. It is compatible with both Versafitcup and Mpact System and available for both primary and revision procedures and provides a viable solution to address the risk of instability and dislocation, which are still major challenges in hip replacement. In 2023, the Mpact and Versafitcup Systems have achieved a 7A* ODEP rating. These excellent ratings are in line with the study published by Rahm et al.[16], reporting an excellent survival rate of 99.6% at 10 years for aseptic loosening for the construct of Quadra - Versafitcup with the data of the Australian Registry (AOANJRR), which reports a survival rate of 99.0% at 7 years with any reason for the Mpact cup.[17] We also offer a comprehensive cemented portfolio with femoral and acetabular solutions. Within the cemented femoral portfolio, Quadra-C was given a rating of 7A* ODEP in the year 2023, while X-ACTA was given a rating of 5A*.

REVISION IMPLANTS PORTFOLIO

The Medacta Hip Revision Platform is an innovative and comprehensive offering for both the femur and the acetabulum, with tailored solutions to individual patient needs. Across the whole acetabular revision portfolio, featuring various solutions such as Mpact Multi-Hole, Iliac Screw Mpact and B-Cage, the 3D Metal – a state-of-the-art advanced biomaterial structure engineered for the bone – is the master. 3D Metal is obtained by means of advanced 3D printing technology, which allows for engineering implants featuring maximized initial stability and enhanced connection with bone, key aspects in revision hip arthroplasty. By leveraging a single cutting-edge technology, different advanced net structures have been designed and manufactured to face most clinical cases efficiently, addressing different patient anatomies and surgical scenarios. On the femoral side, the M-Vizion Femoral Modular Revision System is the core of the Medacta Hip Revision Platform. Designed to deliver maximum stability and versatility with a simplified and streamlined procedure, M-Vizion allows surgeons to feel confident in the operating room (OR) when undertaking simple to complex femoral revision cases. The comprehensive proximal and distal product range is now further enriched with the 4° angle tapered distal stem, offering additional flexibility while reconstructing the hip joint to adapt to different patient anatomies and surgical scenarios. The Medacta Hip Revision Implant Portfolio is supported and complemented by a complete range of dedicated instruments to facilitate the removal of failed implants and cement.

16 Rahm S, Tondelli T, Steinmetz S, Schenk P, Dora C, Zingg PO. Uncemented Total Hip Arthroplasty Through the Direct Anterior Approach: Analysis of a Consecutive Series of 275 Hips with a Minimum Follow-Up of 10 Years. J Arthroplasty. 2019;34(6):1132-1138. DOI: 10.1016/j.arth.2019.01.062

17 Australian Orthopaedic Association National Joint Replacement Registry (AOANJRR), Automated Industry Report System (AIRS), ID No.9246 for Medacta Australia, Mpact Total Conventional Hip, (Procedures from 1 September 1999 - 20 February 2023), Accessed 21 February 2023

NEW CLINICAL EVIDENCE HIGHLIGHTS THE POSITIVE PERFORMANCE OF OUR HIP IMPLANTS

QUADRA-H hip stem was awarded 13A* by the Orthopaedic Data Evaluation Panel (ODEP), an independent panel of experts in the United Kingdom assessing objective evidence on the performance of medical implants. This valuable result is based on data from national registries pertaining to several thousand cases, which showed an excellent cumulative survivorship of 96.1% at 13 years. [7]

With 20 years of clinical history, QUADRA-H represents the first stem designed by Medacta. It features a triple-tapered design and is made of Titanium-Niobium alloy with an HA (hydroxyapatite) coating. This design allows for an effective rotational and axial stability, which is further enhanced by the HA coating, potentially leading to long-term fixation and to better patient outcomes.

Other achievements related to our comprehensive implant portfolio are listed in the report.

> *" The QUADRA-H stem has been my implant of choice for over a decade. The compatibility of this stem with the AMIS approach has consistently resulted in positive patient outcomes. Its reliability and effectiveness have made it an invaluable tool in my practice. "*
>
> ***Dr. Jonathan Young***
> *Australia*

Medacta's strong heritage in hip treatment has also been awarded the following ODEP ratings:

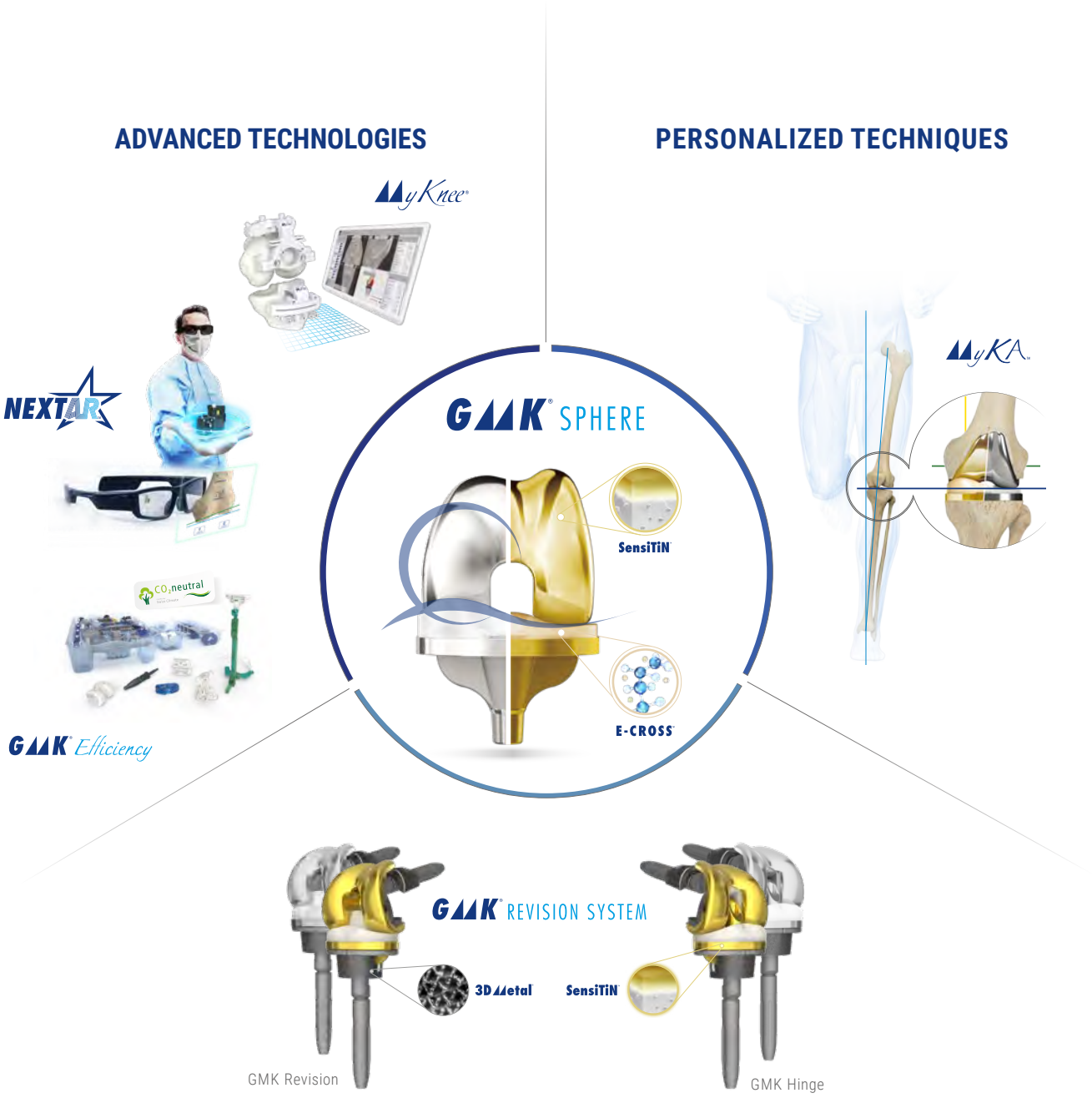
- QUADRA-C has been awarded 7A* ODEP rating
- AMIStem-H has been awarded 10A ODEP rating
- AMIStem-C has been awarded 7A* ODEP rating
- AMIStem-P has been awarded 3A* ODEP rating
- X-ACTA has been awarded 5A* ODEP rating
- MPACT and VERSAFITCUP CUP SYSTEMS has been awarded 7A* ODEP rating.

[7] Australian Orthopaedic Association National Joint Replacement Registry (AOANJRR), Automated Industry Report System (AIRS), ID No.9245 for Medacta Australia, Quadra-H Total Conventional Hip, (Procedures from 1 September 1999 - 20 February 2023), Accessed 21 February 2023

8.2 KNEE

THE OVERALL KNEE STRATEGY

Driven by our vision to advance the care and the satisfaction of our patients, bringing value throughout their entire orthopedic journey through personalized solutions, we focused on developing innovative products, techniques, and technologies for the knee segment of the orthopedic market. We designed a comprehensive and effective platform in collaboration with a network of international expert surgeons, based on three complementary assets: personalized techniques, with the growing focus on Kinematic Alignment, advanced technologies, such as the NextAR Knee Augmented Reality surgical application, and a complete implant portfolio that can be used for partial procedures (i.e., first-time knee replacements for only one portion of the knee) primary procedures (i.e., first-time complete knee replacements), as well as revision procedures (i.e., secondary knee replacements). The GMK Sphere is at the core of our complete knee offering. Our knee offering is supported by the M.O.R.E. Institute, which provides tailored high-level educational pathways through an international network of expert surgeons.



GMK SPHERE

Backed by a strong educational network of over 100 international experts, and more than 10 years of successful clinical experience, GMK Sphere is an innovative Ball-in-Socket Knee prosthesis designed to provide maximum functional stability while also restoring natural knee motion, with the purpose of improving patient comfort during everyday activities and reducing postoperative knee pain. The orthopedic community has welcomed this innovative implant, and surgeons have chosen it for more than 200'000 patients worldwide. According to the Orthopedic Data Evaluation Panel (ODEP) rating criteria, in 2023, GMK Sphere has been awarded 10A rating based on the evaluation of data pertaining to several thousand cases, which showed cumulative survivorship well in line with the required projection of more than 90% at 10 years.

Moreover, GMK Sphere highlights synergies with advanced material options, providing surgeons with the possibility of tailoring the implant choice to the patient's needs. MectaGrip is a Medacta solution for cementless application. It consists of a plasma-sprayed titanium coating designed to enhance initial stability and potential long-term fixation[18,19]. E-CROSS is a highly crosslinked UHMWPE (Ultra-High Molecular Weight Polyethylene) blended with Vitamin E, a powerful antioxidant that improves oxidation resistance[20,21]. SensiTiN is a ceramic-like coating of titanium nitride, designed to reduce the release of metal ions. GMK Sphere has shown the potential to improve functional and patient-reported outcomes also when combined with the Kinematic Alignment technique.

PERSONALIZED TECHNIQUES

Kinematic Alignment aims to custom-position the knee implant to the native joint line of the knee as it was in its pre-arthritic state, while preserving the surrounding tissues and ligaments. MyKA, Medacta's Kinematic Alignment Platform, provides surgeons with the most comprehensive solution to safely and reproducibly perform Kinematic Alignment. It features the GMK Sphere, a particularly suitable implant for this technique that is supported by dedicated instrumentation designed to improve efficiency and reproducibility. It also includes MyKnee KA, an advanced technology that utilizes web-based 3D preoperative planning to kinematically align the implant using 3D printed patient-specific instruments. Moreover, the platform includes tailored surgeon training and education initiatives supported by an established network of international experts. This platform is continuously enriched with new options and tools to further streamline surgeons' operative workflow.

Rising data and evidence are fueling the growing popularity of Kinematic Alignment among the scientific community, resulting in an increase in the number of surgeons embracing this procedure and patients successfully treated. Medacta is leading the way in collaboration with the biggest experts worldwide.

18 Khanuja HS, Vakil JJ, Goddard MS, Mont MA. Cementless Femoral Fixation in Total Hip Arthroplasty. J Bone Joint Surg Am. 2011;93:500-9.

19 WALSH, William Robert, et al. Bone ongrowth and mechanical fixation of implants in cortical and cancellous bone. Journal of Orthopaedic Surgery and Research, 2020, 15.1: 1-10.

20 Malito L. G. et al., «Material properties of ultra-high molecular weight polyethylene: Comparison of tension, compression, nanomechanics and microstructure across clinical formulations», Journal of the Mechanical Behavior of Biomedical Materials, pp. 9-19, 2018.

21 Bracco P. et al., «Stabilisation of ultra-high molecular weight polyethylene with Vitamin E», Polymer Degradation and Stability 92, pp. 2155-2162, 2007.

ADVANCED TECHNOLOGIES

Through our MySolutions Personalized Ecosystem, we offer enabling technologies that deliver a personalized approach to knee replacement, improving accuracy and efficiency, while promoting healthcare sustainability. MyKnee is a complete platform for partial, total, and revision knee replacement that combines 3D preoperative planning and 3D printed patient-matched guides to accommodate many surgical approaches, including bone referencing, ligament balancing, and muscle sparing. NextAR Knee Augmented Reality surgical application empowers the surgeon's vision with unique real-time surgical guidance superimposed onto the operative field to enhance precision and enable data-driven decision-making. Both MyKnee and NextAR offer a powerful synergy with GMK Efficiency single-use instrumentation. The GMK Efficiency system requires no additional preoperative sterilization and instrument management, optimizing logistics: the perfect solution for both large hospitals and ambulatory surgical centers. The GMK Efficiency system is also available as part of our Efficiency KneePack, which contains all the components needed to implant the GMK Sphere using a patient-specific single-use instrument set. It is delivered sterile in a single, lightweight box allowing to save time in the OR and simplify the OR scheduling.

PRIMARY IMPLANTS PORTFOLIO

Besides GMK Sphere for total knee arthroplasty, we offer GMK Primary, which is part of the comprehensive GMK System, ranging from GMK UNI for partial procedures to GMK Hinge for revision surgery. In particular, the system allows for a very easy transition from GMK Sphere and GMK Primary to a semi-constrained (GMK Revision) or a fully constrained (GMK Hinge) solution and allows for a combination of GMK Sphere with revision options like wedges and stems.

PARTIAL IMPLANTS PORTFOLIO

For partial knee replacement, we offer GMK UNI and MOTO Partial Knee System. Both options allow surgeons to treat osteoarthritis localized on the medial or lateral compartment of the knee. The comprehensive MOTO Partial Knee System, including MOTO Medial, MOTO Lateral and MOTO PFJ, was designed to accommodate the individual anatomy in order to achieve optimal coverage and fit and to provide correct and individualized balance and alignment at every step of the procedure with the potential of decreasing the incidence of loosening and progression of the disease. SensiTiN and E-CROSS advanced material options are available also for the MOTO System, further completing the Medacta partial knee replacement offering.

REVISION IMPLANTS PORTFOLIO

Our knee revision portfolio, the GMK Revision System, provides surgeons with a complete, modern, and versatile solution. It includes a semi-constrained implant, GMK Revision, and a totally constrained implant, GMK Hinge, which have been designed to preserve the joint functionality without dramatically altering its anatomy and kinematics, even in cases of severe ligament instability or severe bone loss. It features a unique-on-the-market technology for knee revisions, MyKnee R, the newest addition to our MySolutions Personalized Ecosystem. Beginning with a CT scan, our engineers create a 3D reconstruction of the patient's joint with a primary implant in situ. This reconstruction is then used to accurately plan the positioning of a new prosthesis from Medacta's comprehensive knee portfolio, ranging from a lower level of constraint to semi-constrained and fully constrained solutions. A set of 3D printed, patient-matched pin-positioning guides allows for guiding the implant removal and the positioning of the new implant. The GMK Revision System also features a wide range of options with advanced materials. Indeed, we have further expanded the knee revision portfolio with SensiTiN-coated implants and the 3D Metal Cones for cavitary bone defects. 3D Metal is an advanced biomaterial structure, obtained by means of Medacta's in-house 3D printing technology, which is able to deliver maximized primary stability, as well as functional and structural connection with the bone for long-term fixation.

KINEMATIC ALIGNMENT SHOWN TO IMPROVE PATIENT OUTCOMES IN TOTAL KNEE REPLACEMENT

Kinematic Alignment has been shown to improve patient satisfaction compared to the more traditional techniques. [22-24] Kinematic Alignment can potentially make recovery from surgery easier and faster [25], compared to traditional total knee replacement surgery. Kinematic alignment may also relieve your knee pain [22] and possibly improve the biomechanics of walking and daily activities. [26]

Our continuous commitment to positively impacting patients requiring a total knee procedure has evolved with the development of the concept of Kinematic Alignment, which restores the native pre-arthritic alignment through anatomic resurfacing, minimizing ligament releases, and allowing for a more natural knee kinematic. Over the past few years, clinical studies have highlighted that GMK Sphere is a particularly suitable implant for Kinematic Alignment, with the potential to further enhance patient outcomes compared to other knee designs. [27-29] Built upon the legacy of the GMK Sphere's ball-in-socket design, GMK SpheriKA offers patients an implant with the potential to feel more natural and stable during daily activities, replicating the movement of the healthy knee. In addition, GMK SpheriKA features optimized femoral coverage and patellar tracking for Kinematic Alignment procedures, making it the first implant on the market specifically designed for this technique.

GMK® SPHERIKA

THE FIRST KA-OPTIMIZED IMPLANT

> *" I'm thrilled to offer the GMK SpheriKA to my patients. With this implant, I have a more personalized option that addresses each patient's unique anatomy, giving them a more normal feeling knee and providing them with the opportunity to return to their lives more quickly "*

Stephen Howell, M.D.
United States

[22] Dosset et al. A randomised controlled trial of kinematically and mechanically aligned total knee replacements. Bone Joint J 2014; 96-B:907–13

[23] Lee et al. Early Outcomes of Kinematic Alignment in Primary Total Knee Arthroplasty: A Meta-Analysis of the Literature, The Journal of Arthroplasty 32 (2017) 2028-2032

[24] Yaron, Bar Ziv et al. "Patients undergoing staged bilateral knee arthroplasty are less aware of their kinematic aligned knee compared to their mechanical knee." Journal of orthopaedics vol. 23 155-159. 20 Jan. 2021

[25] C. Rivière et al. Alignment Options for Total Knee Arthroplasty: A Systematic Review. OTSR 2017-Nov; 103(7): 1047–56.

[26] P.A. Vendittoli. et al. Kinematic Alignment in Total Knee Arthroplasty Better Reproduces Normal Gait than Mechanical Alignment. KSSTA 2019-May; 27(5): 1410–17.

[27] Scott, David F., and Celeste G. Gray. 'Outcomes are better with a medial-stabilized vs a posterior-stabilized total knee implanted with kinematic alignment.' The Journal of Arthroplasty 37.8 (2022): S852-S858

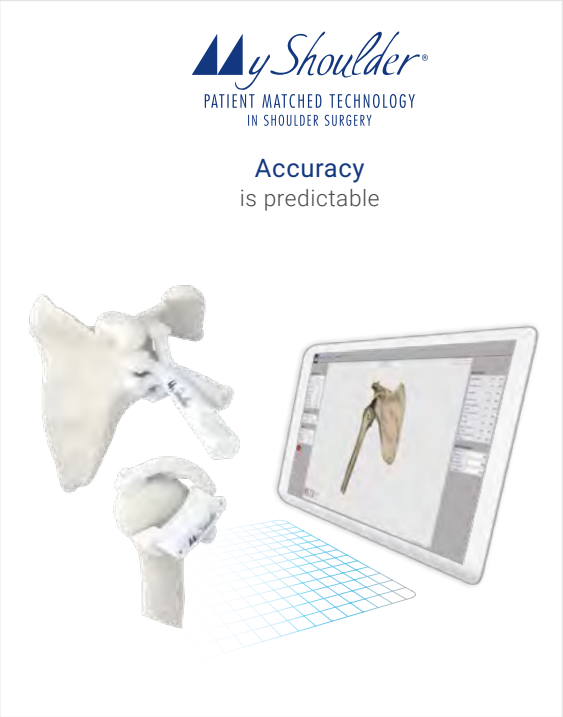
[28] Scott, David F., and Amy A. Hellie. 'Mid-Flexion, Anteroposterior Stability of Total Knee Replacement Implanted with Kinematic Alignment: A Randomized, Quantitative Radiographic Laxity Study with Posterior-Stabilized and Medial-Stabilized Implants.' JBJS 105.1 (2023): 9-19.

[29] JONES, Brett K.; CARLSON, Brian J.; SCOTT, David F. Better flexion and early recovery with medial-stabilized vs single-radius total knee arthroplasty with kinematic alignment: Two-year clinical results. The Knee, 2023, 43: 217-223

8.3 SHOULDER

THE OVERALL SHOULDER STRATEGY

The shoulder market represents a significant growing component of our success. With the collaboration of international expert surgeons, we created an innovative, complete, and personalized portfolio of implants and cutting-edge technologies designed to support surgeons in improving patient care and satisfaction. Our shoulder offering is supported by the M.O.R.E. Institute, which provides tailored high-level educational pathways through an international network of expert surgeons.



THE MEDACTA SHOULDER SYSTEM

The Medacta Shoulder System represents the core of our shoulder offering. Since the first successful surgery in December 2016, performed by Prof. Dr. med Ralph Hertel, in Bern (CH), we have recently reached the milestone of 25'000 Medacta Shoulder System devices implanted worldwide.

Medacta's innovation is reflected in the Medacta Shoulder System's design. The Medacta Shoulder System is a complete and modular solution that features a broad range of options, wide-ranging sizes, adjustable offsets, and innovative designs, both in the anatomic and reverse configuration, providing surgeons with the flexibility to treat a wide range of patient anatomies and pathologies. Moreover, this modularity allows for the conversion of a total anatomic shoulder replacement into a reverse shoulder replacement without the need to revise all the components. This is aimed at avoiding full revisions of the shoulder implant if disease progression requires conversion to a reverse configuration.

The Medacta Shoulder System offers synergies with advanced material options. Proximal fixation in the standard and short stems is achieved by means of Medacta's proprietary MectaGrip technology, a plasma-sprayed titanium coating that enhances initial stability due to its high coefficient of friction and potential long-term fixation, in conjunction with hydroxyapatite. With the most recent addition of SensiTiN, a coating of titanium nitride, the Medacta Shoulder System offers a complete solution to addressing diverse patient needs.

PERSONALIZED AND ADVANCED TECHNOLOGIES

We offer surgeons enabling technologies that deliver a personalized approach to shoulder replacement, improving accuracy and efficiency while preserving healthcare sustainability. As part of our MySolutions Personalized Ecosystem, our shoulder offering includes MyShoulder, a personalized 3D preoperative planning and 3D printed patient-matched guides, and NextAR Shoulder, the first CE-marked, FDA-cleared and MHLW-approved Augmented Reality surgical application with intraoperative guidance for total shoulder replacement, fully launched in 2022, with more than 1'500 cases worldwide

NEW EVIDENCE HIGHLIGHTS ACCURACY IN SHOULDER REPLACEMENT USING NEXTAR

The new study, "Glenoid Component Placement in Reverse Shoulder Arthroplasty Assisted with Augmented Reality Through a Head-mounted Display Leads to Low Deviation Between Planned and Post-operative Parameters" (Rojas et al.) published in the Journal of Shoulder and Elbow Surgery (2023), confirms the accuracy of NextAR Shoulder, Medacta's augmented reality surgical application, which provides precise and accurate intraoperative guidance for glenoid component placement.

NextAR Shoulder leverages the latest advances in Augmented Reality to help specially trained surgeons accurately place the shoulder prosthesis while respecting the patient's unique anatomy. Unlike traditional shoulder replacement procedures, in the weeks leading up to surgery, the surgeon can define a personalized plan for each individual patient. With this technology, the surgeon can make more informed decisions and personalize the procedure by making precise adjustments to the patient's unique anatomy, thereby enhancing the accuracy of your surgery.

> *" Accuracy is fundamental in orthopaedic surgery, because it allows the surgeon to obtain better results for the patient. Not only does NextAR Shoulder deliver a higher level of precision, but it also seamlessly integrates with the surgical workflow I apply. Because I have NextAR, I feel more at ease during the whole surgical process, from pre-op, intra-op, through post-op, "*
>
> ***Prof. Dr. med. Matthias Zumstein***
> Switzerland

8.4 SPINE

THE OVERALL SPINE STRATEGY

Since our introduction into the spine market in 2009, we have leveraged our expertise in both minimally invasive techniques and personalized solutions to improve patient care and satisfaction. Designed with a team of international expert surgeons, our innovative, complete, and effective spine offering provides surgeons with implants, instruments, and enabling technologies to perform a full range of procedures, from cervical to degenerative and deformity. Since inception, we have been providing spine implants pre-sterilized and ready for implantation. We strongly believe that pre-sterile implants can increase the efficiency of healthcare systems, reduce the risk of contamination, save time, and reduce costs. Our spine offering is supported by the M.O.R.E. Institute, which provides tailored high-level educational pathways through an international network of expert surgeons.

MINIMALLY INVASIVE DEGENERATIVE


MectaLIF Anterior


MectaLIF System


M.U.S.T. LT


M.U.S.T. SI


M.U.S.T. MC


MIS MySpine MC

CERVICAL


M.U.S.T. Mini


Mecta-C System


Mecta-C Stand Alone

DEFORMITY


M.U.S.T.


MySpine S2AI


MySpine Anchor


MySpine

ENABLING TECHNOLOGIES

Building on our proprietary MySolutions Personalized Ecosystem, our spine offering can improve surgeon and patient experience by leveraging our advanced and personalized intraoperative solutions, NextAR Spine Augmented Reality surgical application, and MySpine patient-matched technology. Using the most recent augmented reality advances, NextAR Spine empowers the surgeon's vision with unique real-time surgical guidance superimposed onto the operative field, thereby enhancing precision and enabling data-driven decision-making. A new clinical study led by Prof. Dr. med. Bernhard Meyer, evaluates the efficiency, accuracy, and versatility of NextAR Spine demonstrating that the placement of pedicle screws has been achieved with precision using both open and percutaneous approaches in both long and short constructs, indicating a lower intraoperative revision rate (1.7%)[30] compared to the rate documented in the scientific literature with other navigation systems (3.4% by Ille at al[31]; 4.7% by Ryang at al[32]). This further highlights that NextAR Spine proves to be a reliable and safe tool for 3D imaging-based pedicle screw placement while requiring minimal setup during surgery, in line with Medacta's philosophy of healthcare sustainability. The setup is reduced to a minimum by integrating the cameras into the surgical instruments and establishing a flexible platform which includes the preoperative planning.

[30] Schwendner M, Ille S, Wostrack M, Meyer B. Evaluating a cutting-edge augmented reality-supported navigation system for spinal instrumentation. Eur Spine J. 2023 Nov 14. doi: 10.1007/s00586-023-08011-w. Epub ahead of print. PMID: 37962688.

[31] Ille S, Baumgart L, Obermueller T, Meyer B, Krieg SM (2021) Clinical efficiency of operating room-based sliding gantry CT as compared to mobile cone-beam CT-based navigated pedicle screw placement in 853 patients and 6733 screws. Eur Spine J 30(12):3720–3730. https:// doi. org/ 10. 1007/ s00586- 021- 06981-3

[32] Ryang YM, Villard J, Obermuller T et al (2015) Learning curve of 3D fluoroscopy image-guided pedicle screw placement in the thoracolumbar spine. Spine J 15(3):467–476. https:// doi. org/ 10. 1016/j. spinee. 2014. 10. 003

MySpine provides surgeons with a complete platform of patient-matched 3D printed screw placement guides, to lead the surgeon through the critical steps of accurate pedicle screw placement whilst reducing the surgical time and intraoperative X-ray radiation. The MySpine platform offers enabling solutions for cervical, thoracolumbar, and sacroiliac cases. In 2023, Prof. Faldini published a retrospective landmark study highlighting the positive clinical outcomes of MySpine. The results show how the MySpine system provided safe screw placement in all locations of the spine, with an accuracy exceeding 94%. The MySpine guides are manufactured based on a preoperative low-dose CT scan, with an X-ray dose up to 80 times lower than that reported with the use of the O-arm, a technology generally used in navigation procedures, with benefits for the patient's well-being. In primary cases, the accuracy of the pedicle screw in a safe position obtained by means of the MySpine technology can be as high as 100%[33,34,35,36]. The MySpine platform offers enabling solutions for cervical, thoracolumbar, and sacroiliac cases.

Both NextAR and MySpine are part of Medacta's MySolutions Personalized Ecosystem, an advanced network of digital solutions designed to improve patient outcomes, healthcare efficiency, and sustainability, representing an optimal solution worldwide, particularly for US Ambulatory Surgery Centers (ASCs).

CERVICAL PROCEDURE

The Medacta cervical platform is an end-to-end 360° solution with improved flexibility, stability, and accuracy designed for posterior fixation and anterior cervical discectomy and fusion (ACDF). The integrated platform is comprised of three components: Mecta-C Stand Alone, M.U.S.T. Mini, and MySpine Cervical.

In posterior approaches, MySpine Cervical patient-specific guides allow surgeons to refine the preoperative 3D planning based on the patient's CT images, increasing intraoperative accuracy in pedicle screw insertion, potentially providing improved clinical outcomes. The recently added Mono-lateral guides can help in better preserving the soft tissues during the surgery. MySpine Cervical operates in synergy with the M.U.S.T. Mini posterior cervical screw system, a comprehensive solution for fixation of the occipito-cervico-thoracic spine. The variety of screws, hooks, rods, and connectors allows the surgeon to tailor the construct to the specific patient anatomy and pathology to be treated. The synergy between MySpine Cervical and M.U.S.T. Mini increases safety, stability, and accuracy in screw placement with pedicle screw trajectory, while reducing metal density and radiation levels, without initial capital investments.

In anterior approaches, we provide healthcare professionals with a complete platform that offers a modular and versatile option, to address specific anatomical requirements and pathologies. The surgeon can choose between a "stand-alone system" incorporating the benefits of an anterior plate and a radiolucent interbody spacer, or a "plate & cage system", offering effective load sharing, optimal biocompatibility, and biomechanical stability in situ. A dedicated anterior retractor supports both our cervical solutions.

33 Lamartina et al. Adolescent idiopathic scoliosis surgery with patient-specific screw placement-guide Eur Spine J. 2014 Dec;23(12). MySPINE VIDEO CASE / REDUCED DOSE RADIATION

34 Lamartina et al. Pedicle screw placement accuracy in thoracic and lumbar spinal surgery with a patient-matched targeting guide: a cadaveric study. Eur Spine J. 2015 Nov;24(7). MySPINE ACCURACY VS FREE HAND

35 Putzier et al. A New Navigational Tool for Pedicle Screw Placement in Patients with Severe scoliosis: A Pilot Study to Prove Feasibility, Accuracy, and Identify Operative Challenges. J Spinal Disord Tech. 2014 MySPINE PILOT STUDY

36 Accuracy assessment of pedicle screw insertion with patient specific 3D-printed guides through superimpose CT-analysis in thoracolumbar spinal deformity surgery J Cool, J van Schuppen, M A de Boer, B J van Royen

DEFORMITY PROCEDURE

The Medacta deformity platform is a consolidated complete system designed to assist the surgeon in all the steps of the surgery. Our enabling technologies, NextAR Spine and MySpine platform ensure an accurate screw positioning in challenging anatomies, while the M.U.S.T. instruments provide several options for performing reduction and correction maneuvers. The MectaLIF Anterior cages complete the offering for anterior cases. After the recent introduction of the MySpine S2AI, in 2022, we extended the MySpine platform with the innovative MySpine Anchor patient-specific guides, to complete the treatment of challenging spine anatomies and reinforce the fixation, and therefore the stability, for long constructs. This solution allows surgeons to accurately implant M.U.S.T. Pedicle Screws and M.U.S.T. SI Headless Screws to anchor long constructs in complex spine cases, potentially improving the thoracolumbar fixation to help reduce lower back pain.

MINIMALLY INVASIVE DEGENERATIVE PROCEDURE

Our solutions are specifically designed with a muscle-sparing approach, potentially offering fast patient recovery after spinal fusion surgery. Our degenerative procedure is based on two different approaches: "midline-cortical", fully functional with our enabling technologies NextAR Spine and MySpine platform, and "percutaneous", completely optimized for NextAR Spine.

MIDLINE CORTICAL APPROACH

MIS MySpine MC, used in the midline cortical approach, allows posterior lumbar fusion to be carried out in a minimally invasive, muscle-sparing way, resulting in shorter operating times and a substantial reduction of radiation exposure while increasing efficiency compared to conventional free-hand or navigated lumbar fusion surgery. The goal of MIS MySpine MC is to maximize the fusion rate and the predictability of clinical outcomes, thus positively impacting patient well-being. M.U.S.T. MC (Midline Cortical) is a complete and flexible system which stabilizes and facilitates the fusion of the thoracolumbar spine and the sacrum. Complementing MySpine MC, it features a dedicated retractor and distractor system offering superior performance in muscle tissue manipulation and vertebral distraction/compression maneuverers. This complete platform is further integrated by the cortical/cancellous screw threads, recently registered across our markets, which differentiate bone purchase, enhancing posterior fixation.

PERCUTANEOUS APPROACH

The NextAR Spine MIS LT procedure seamlessly integrates the cutting-edge augmented reality surgical application NextAR Spine with the M.U.S.T. LT (Long Tab Screw System) percutaneous spinal fixation platform. This unique combination optimizes workflow, versatility, personalized implant choice, and ensures the highest standards of minimally invasive surgery execution. The NextAR Spine MIS LT procedure combines NextAR Spine and M.U.S.T. LT, a minimally invasive solution for posterior spine fixation with the percutaneous approach. This versatile solution, already assembled in the sterile package, provides surgeons with a wide selection of fast-locking screws, and offers an extended reduction capacity, a crucial aspect in lumbar spondylolisthesis or thoracic kyphosis restoration. The absence of Nickel, Cobalt, and Chromium makes M.U.S.T. LT a unique solution within the M.U.S.T. pedicle screw system, providing full spine fixation with 100% Titanium alloy constructs.

NEW CLINICAL EVIDENCE HIGHLIGHTS ACCURACY IN SPINE SURGERY

The study "Evaluating a cutting-edge augmented reality-supported navigation system for spinal instrumentation" was published in the European Spine Journal and led by Prof. Dr. Med. Bernhard Meyer. It shows how the placement of pedicle screws has been achieved with precision using both open and percutaneous approaches in both long and short constructs, indicating a lower intraoperative revision rate (1.7%)[30] compared to the rate documented in the scientific literature with other navigation systems (3.4% by Ille et al[31]; 4.7% by Ryang et al [32]).

NextAR Spine is a navigation system that incorporates augmented reality to provide unique real-time surgical guidance, superimposed onto the operative field, enhancing precision and enabling data-driven decision-making in the placement of pedicle screws, and addressing different types of spine indications, such as trauma, degeneration, infection, and tumor.

> *" Precision and accuracy in spine surgery is critical. As stated in our recent study, NextAR, the new AR-assisted navigation system, greatly simplifies pedicle screw placement, ensuring effectiveness and accuracy. It's a reliable tool, straightforward to use, and it elevates our ability to provide safe and precise navigation for various spinal conditions "*
>
> ***Prof. Dr. Bernhard Meyer***
> Germany

[30] Schwendner M, Ille S, Wostrack M, Meyer B. Evaluating a cutting-edge augmented reality-supported navigation system for spinal instrumentation. Eur Spine J. 2023 Nov 14. doi: 10.1007/s00586-023-08011-w. Epub ahead of print. PMID: 37962688.

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[32] Ryang YM, Villard J, Obermuller T et al (2015) Learning curve of 3D fluoroscopy image-guided pedicle screw placement in the thoracolumbar spine. Spine J 15(3):467–476. https:// doi. org/ 10. 1016/j. spinee. 2014. 10. 003

8.5 SPORTSMED

Our Sports Medicine business line started in 2016 with the aim of providing minimally invasive personalized procedures allowing patients to quickly return to their daily activities. Our engineers collaborated with an international team of expert surgeons to develop specific and innovative products for the treatment of ligament, tendon, and muscular injuries of the knee, hip, and shoulder, focusing on new product development to expand our offering in the arthroscopic knee, shoulder, and hip surgery.

KNEE PORTFOLIO

The Medacta Anatomic Ribbon Surgery (M-ARS), first surgery performed in 2017, is an innovative surgical technique to reconstruct the anterior cruciate ligament (ACL). It is designed to distribute forces in a more natural, anatomical way, and is supported by a dedicated set of instruments and implants. To facilitate ACL reconstructive surgery, we are now able to offer an extensive portfolio of extra-articular (FairFix Adjustable Button, MectaFix Continuous Loop Button) and close to the joint-line fixation options (MectaScrew Interference Screw Family). We offer not only a standard instrument portfolio, but also innovative solutions for Quadriceps Tendon harvesting procedures (MectaQTH) and single-use instruments and sterile kits for standard ACL reconstruction procedures, as well as for the specific M-ARS Anatomic Ribbon repair.

In 2023, we received FDA and TGA clearances and started the Limited Market Releases of FairFix Adjustable Button configurations, aiming to cover various techniques (FairFix AM), graft types (FairFix QT) and improve tibial fixation for the M-ARS technique (FairFix PSP).

SHOULDER PORTFOLIO

Our shoulder anchor portfolio allows us to offer multiple solutions, according to specific indications and surgeon preferences. Different anchor sizes and materials are available, from knotted anchor designs for arthroscopic shoulder labral repair to knotless options for shoulder lateral row cuff repair. With the MectaLock Suture Anchor Family, we can provide both a non-absorbable PEEK (MectaLock PEEK) and a composite material option (MectaLock C). For surgeons who prefer soft anchor designs or are looking for solutions for the medial row repair, we offer All-Suture Anchor designs with SnugFit All-Suture. We are also able to offer Titanium anchors, either in a more traditional design (MectaLock TI) or in a unique self-rotating anchor design (MectaTap TI). To facilitate suture management in arthroscopic labral and rotator cuff repairs, the comprehensive Medacta FastShuttle Suture Passer Family is also able to supply multiple state-of-the-art single-use and reusable instruments.

We focused on developing brand new instruments to facilitate the implantation of our suture anchors (MectaLock PEEK/C slotted aimers and MectaLock All-Suture aimers and punches) and a dedicated set of curved instruments for SnugFit All-Suture portfolio. In 2023, we received the FDA and TGA clearance and started the Limited Market Release of the SnugFit All-Suture Anchor Size 1, specifically designed to treat shoulder labral instability.

SUTURE PORTFOLIO

Within our suture portfolio, we cover multiple indications in shoulder, hip, and knee procedures. PowerSuture, our all-encompassing suture family, offers a wide variety of Ultra-High Weight Polyethylene sutures, tapes, whip-stitch loops, passing loops, and double-armed sutures featuring our Black Cobra needle (available in multiple configurations). PowerKnot High Strength Suture, our strong tensile strength suture, potentially offering an improved knot grip and a useful Running Direction Indication (RDI) feature to alleviate the challenging suture management in arthroscopic shoulder surgeries.

HIP PORTFOLIO

Alongside many anchors (MectaLock Suture Anchor, MectaLock All-Suture anchors) and suture management devices (FastShuttle Suture Passer Family) shared with the shoulder product line, we also offer MectaFlip, the unique-on-the-market intra articular minimal invasive expander. In 2023 we received the FDA and TGA clearance and started the Limited Market Release of the SnugFit All-Suture Anchor Size 1, specifically designed to treat hip labral instability.

In 2023 we introduced on the US market MyPAO, a unique platform based on patient-matched technology, aiming to assist surgeons during periacetabular osteotomy procedures, allowing them to achieve the planned acetabular repositioning. MyPAO is part of our MySolutions Personalized Ecosystem, an advanced network of digital solutions designed to improve patient outcomes, healthcare efficiency, and sustainability.

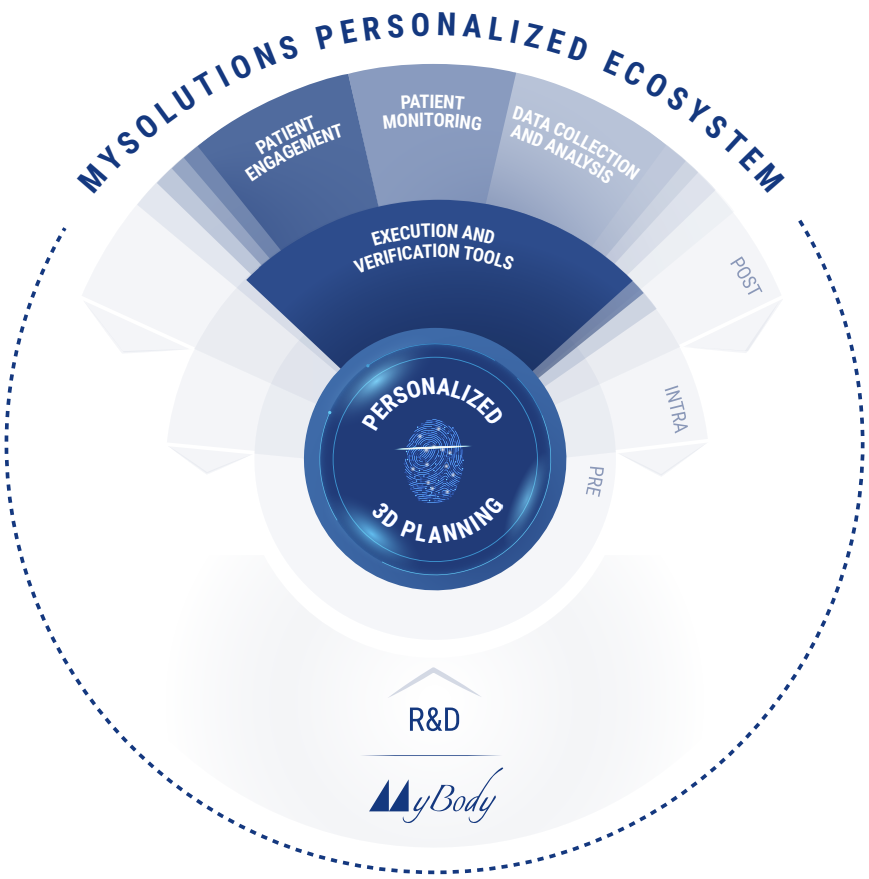
NEW MYSOLUTIONS PERSONALIZED ECOSYSTEM ADVANCES

During 2023, we announced the successful completion of the first MyPAO surgeries in Europe and United States, leveraging Medacta's long-term experience in CT-based planning and expanding the offer of patient-matched solutions for hip preservation procedures.

Designed in collaboration with a group of expert surgeons, MyPAO is an innovative and complete platform based on patient-matched technology to assist the surgeon during periacetabular osteotomy procedures. The MyPAO Platform consists of a CT-based 3D preoperative planning report, 3D preoperative and postoperative bone models, cortical screws, and patient-specific realignment guides intended to assist in the realignment of the acetabular fragment during periacetabular osteotomies.

> *" What I value the most about MyPAO is the surgical planning report, which allows me to visualize all the relevant preoperative parameters at a glance. The 3D coverage section of the report, together with 3D printed pre-op and post-op bone models, provides additional support to give a complete overview on how the realignment is going to look like "*
>
> ***Dr. med. Panayiotis Christofilopoulos***
> Switzerland

MYSOLUTIONS PERSONALIZED ECOSYSTEM



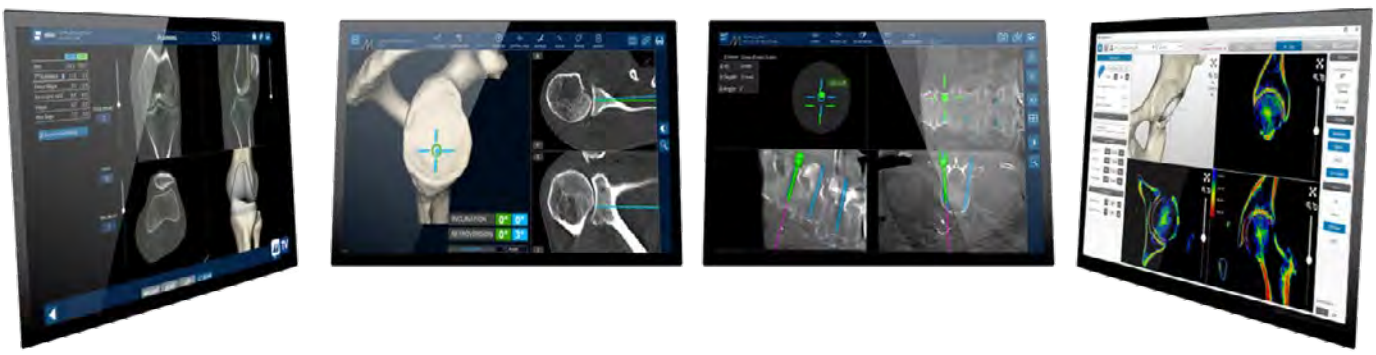
PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

Design the optimal surgical strategy based on each patient's unique anatomy and biomechanics. Enhance confidence and reproducibility using semi-automated 3D planning and non-invasive intraoperative assessment of implant positioning. MySolutions delivers intuitive and reliable solutions (MyKnee, MyHip, MyShoulder, MySpine, MyOsteotomy) with advanced analytical features empowering the surgical decision-making process.



Medacta International

CORPORATE GOVERNANCE REPORT

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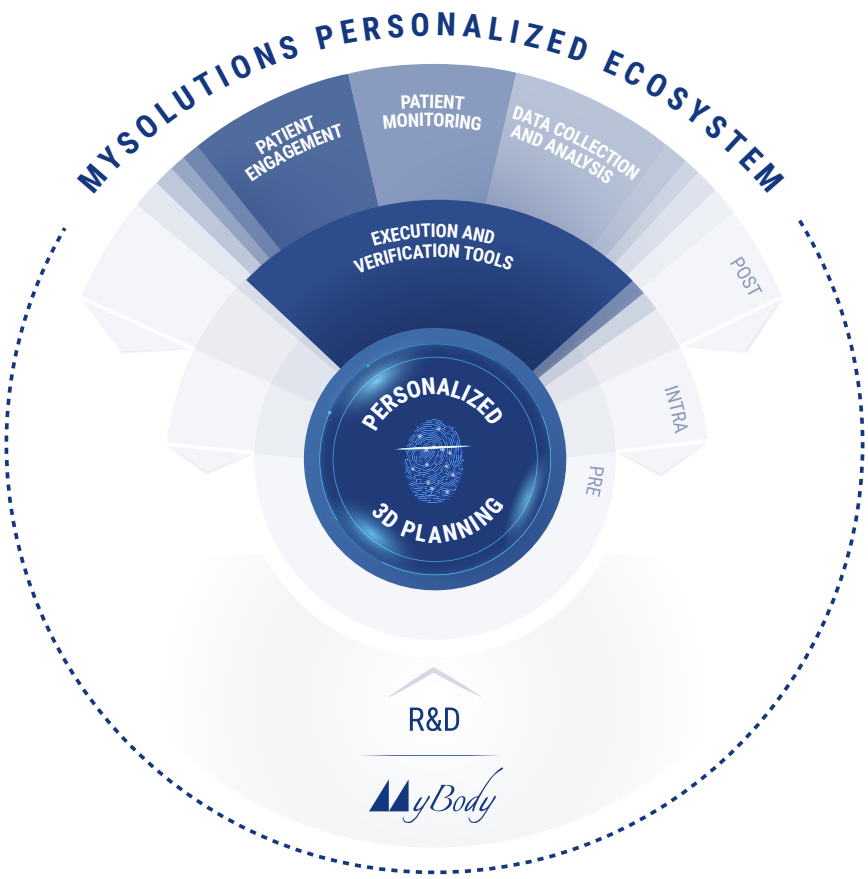
MYSOLUTIONS PERSONALIZED ECOSYSTEM

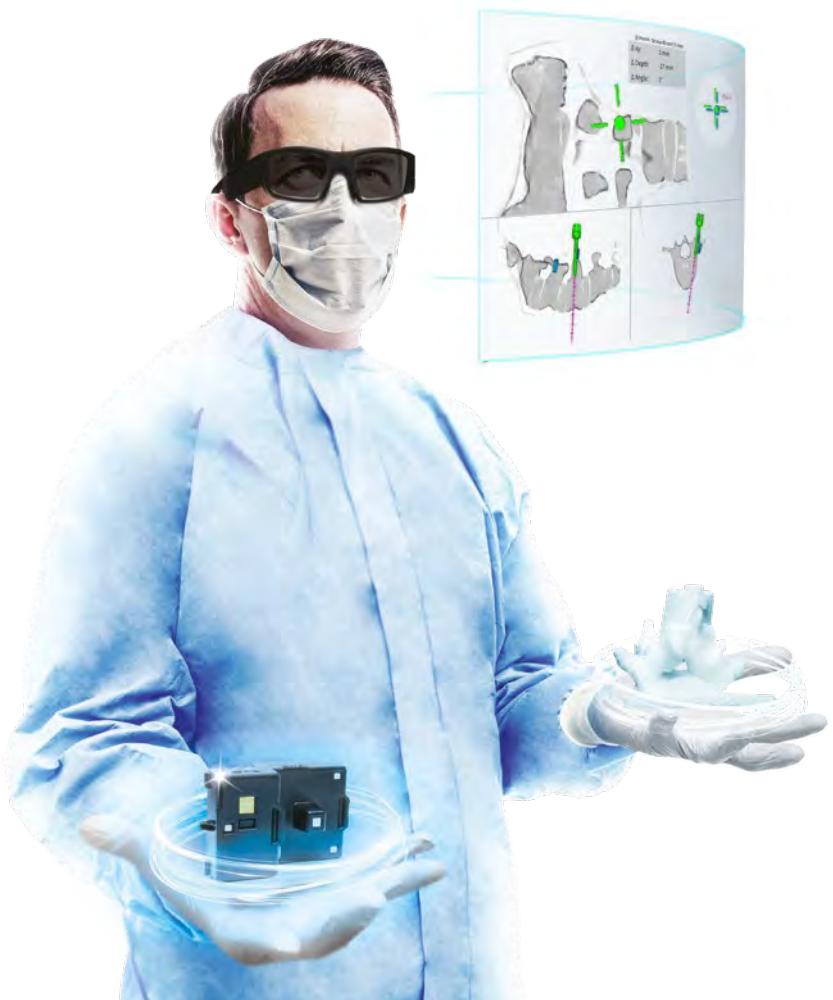


PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT



Improve accuracy and precision during surgery with the 3D printed patient-specific guides based on more than 10 years of clinical evidence, and with the unique NextAR Augmented Reality Surgical Platform. NextAR empowers the surgeon's vision with unique real-time surgical guidance superimposed onto the operative field to enhance precision and enable data-driven decision-making. NextAR allows the user to stay focused on what matters most: the patient. MyHip Verifier allows for intraoperative non-invasive assessment of patient-matched implant positioning.

Medacta is committed to build value and trust with all the stakeholders. Good corporate governance is an essential element of Medacta's values.

Medacta's corporate governance principles are set out in the Articles of Association[1], the Organizational Regulations[2], the Corporate Compliance System including Medacta's Code of Business Conduct and Ethics[3] and the MedTech Europe Industry Code of Conduct[4], the Charters of the Board Committees and internal policies on quality, IT, privacy as well as employee regulations. Further, we take into account the recommendations of the Swiss Code of Best Practice for Corporate Governance. The Group's corporate governance disclosures described in this report are in compliance with the Directive on Information relating to Corporate Governance[5] published by SIX Exchange Regulation.

On April 27, 2023 the Annual General Meeting (hereinafter AGM) approved the proposal made by the Board of Directors, with regards to the amendment of Medacta Group's Articles of Association to reflect the new provisions of the Swiss Corporate Law and to further strengthen shareholder rights. The relevant amendments are reflected in this Corporate Governance Report.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

ORGANIZATIONAL GROUP STRUCTURE

Medacta Group SA ("Company"), Strada Regina 34, 6874 Castel San Pietro, Switzerland, the ultimate parent company of the Group, is a stock corporation under the laws of Switzerland and is listed on the SIX Swiss Exchange (valor number: 46'852'522, ISIN: CH0468525222, SIX ticker symbol: MOVE, LEI: 506700P2PFU3A3DROC14). The market capitalization of the Company as per December 31, 2023 was CHF 2.5 billion.

Our headquarters and production facilities are located in Castel San Pietro and Rancate, Switzerland, where we have approximately 951 employees in the aggregate. The Group Executive Management is based at our headquarters in Castel San Pietro and Rancate, Switzerland and they are responsible for executing the decisions of the Board of Directors and implementing the strategy of the Group.

Medacta constitutes with only one segment which reflects the internal organizational and management structure used within the Group. The Chief Operating Decision Maker (CODM) for the segment is our Chief Executive Officer, Francesco Siccardi. Our CEO is supported by other members of our Group Executive Management, specifically the CFO and the Chief Supply Chain Officer.

The Extended Group Management, which comprises our Head of Research and Development, Global Marketing Director, Technical Director, Vice-President Joint and General Manager, Vice-President Spine and Vice-President Extremities and Sportsmed are also based at our headquarters and under the supervision of the CEO, save for the Technical Director who reports directly to the Chief Supply Chain Officer. The Vice-President Joint and General Manager is responsible for the regional Directors who oversee and manage our international branches in 12 countries. Our international branches are responsible for overseeing our salesforce, which consists of direct sales representatives and marketing employees, independent agents, and distributors in 44 countries. For an overview of our worldwide locations, see Note 6.2 "Consolidation principles, composition of the Group and significant accounting policies" of the Financial Report.

GROUP COMPANIES

No other company controlled by Medacta Group SA is listed on a stock exchange.

On December 31, 2023, Medacta Group SA directly or indirectly held 100% of the capital and voting rights in all unlisted consolidated Group companies disclosed in the Financial Report section of this Annual Report under Note 6.2 "Consolidation principles, composition of the Group and significant accounting policies" to the Financial Report.

[1] Medacta's Articles of Association are available on Medacta's website at: https://aws-media.medacta.com/media/medacta-group-sa-aoa-statuti-new-2023-final-2023-04-27.pdf

[2] Medacta's Organizational Regulations (including the charters of the Board Committees) are available on Medacta's website at: https://media.medacta.com/media/medacta-organizational-regulations-19-july-2021.pdf

[3] Medacta's Group Code of Business Conduct and Ethics has been approved by the Board of Directors on 15th December 2021 and it is available at: https://www.medacta.com/EN/code-of-business-conduct

[4] MedTech Europe Industry Code of Conduct is available at: https://www.medtecheurope.org/wp-content/uploads/2017/06/medtech-europe-code-of-ethical-business-practice-2022.pdf

[5] Directive on Information relating to Corporate Governance of SIX Exchange Regulation is available at: https://www.ser-ag.com/en/topics/corporate-reporting.html

SIGNIFICANT SHAREHOLDERS

To the best of our knowledge, the table below shows shareholders and shareholder groups owning or representing more than 3% of the voting rights of Medacta as of December 31, 2023. The number of shares shown below and the holding percentages are based on the last disclosure of shareholding communicated by the shareholder to the Company and the Disclosure Office of SIX Swiss Exchange. The number of shares held by the relevant shareholder may have changed since the date of such shareholder's notification.

The individual reports that were published during the year ending December 31, 2023 as well as any reportable changes since the date thereof can also be found on the website of the Disclosure Office of the SIX Swiss Exchange, which also includes the individual reports of the significant shareholders: SIX Exchange Regulation.

Beneficial owner / persons that can exercise the voting rights at their own discretion [1]	Domicile/ Registered Office	Country	Direct Shareholders [2]	Number of shares	Percentage of shares and voting rights
• Alberto Siccardi [3]	Sonvico - Lugano	Switzerland	-	13'889'928	69.45%
• Maria Luisa Siccardi Tonolli [3]	Villa Luganese	Switzerland	-		
• Francesco Siccardi [3]	Morcote	Switzerland	-		
• Alessandro Siccardi [3]	Collina D'Oro	Switzerland	-		
• Artisan Partners Limited Partnership [4]	Milwaukee, WI	USA	-	645'316	3.23%

[1] Regarding collective investment schemes, the beneficial owner corresponds to the licensee.
[2] Regarding collective investment schemes, the direct shareholder corresponds to the collective investment scheme.
[3] The Family shareholders (as defined in the "Shareholders' agreement" section here below) comprise a group acting in concert within the meaning of art. 120 et seq. FMIA and its implementing ordinances. See SIX shareholder notification after December 31, 2020, dated January 6, 2021, processed by SIX on January 8, 2021 in relation to the Shareholders' agreement. See also "Shareholders' agreement" (below). As a single person, Alberto Siccardi owns 10.2% of shares and voting rights, Francesco Siccardi owns 19.8% of shares and voting rights, Maria Luisa Siccardi Tonolli and Alessandro Siccardi own 19.7% of shares and voting rights each. Also, section 6 "Ownership of shares and options" of the Remuneration Report, reports the exact number of shares owned by members of the Board of Directors or GEM.
[4] The persons that can exercise the voting rights at their own discretion is Artisan Partners Limited Partnership as derived from the latest shareholder notification dated July 24, 2023, processed by SIX on August 01, 2023.

SHAREHOLDERS' AGREEMENT

Alberto Siccardi, Maria Luisa Siccardi Tonolli, Francesco Siccardi and Alessandro Siccardi (collectively, the "Family shareholders") have entered into a shareholders' agreement regarding, inter alia, (i) the uniform exercise of voting rights in the shareholders' meeting of the Company, (ii) the right of representation on the Board of Directors of the Company, (iii) principles regarding dividends distributed by the Company, (iv) transfer restrictions applicable to Family shares (as defined in the Shareholders' Agreement) and (v) purchase options regarding the Family shares.

1.2 CROSS-SHAREHOLDINGS

The Group does not have, and has not entered into, any cross-shareholdings with other companies relating to equity or voting rights.

2. CAPITAL STRUCTURE

2.1 CAPITAL

The share capital of the Company as of December 31, 2023, as registered with the Commercial Register of the Canton Ticino, amounted to CHF 2'000'000 and is divided into 20'000'000 registered shares with a nominal value of CHF 0.10 each. The share capital is fully paid-up.

2.2 CONDITIONAL CAPITAL

Medacta Group SA has no category of shares other than registered shares.

Article 3A of the Articles of Association includes conditional share capital for equity-linked rights (employee benefit plans) and provides for the increase in the nominal share capital of the Company in the amount of CHF 50'000 through the issuance of up to 500'000 fully paid-up registered shares with a nominal value of CHF 0.10 each, which in total equates to 2.5 % of the existing share capital.

The conditional share capital can be issued with no limitation of time.

The terms and conditions for the allocation and exercise of the equity-linked rights to eligible officers and employees of the Group are to be determined by the Board of Directors. Pre-emptive rights and advance subscription rights of shareholders are excluded or restricted, respectively, if and to the extent the option rights are not allocated to existing shareholders. The shares may be issued at a price below the market price. The acquisition of registered shares based on article 3A and every subsequent transfer of these registered shares is subject to the transfer restrictions pursuant to article 5 of the Articles of Association.

The 2023 Annual General Meeting amended articles 3a and 5 regarding conditional share capital and share register of the Articles of Association. Following the new Swiss stock corporation law, the Articles of Association now provide for electronic means for the exercise conversion or option rights and for waiving these rights. We also amended article 5 to introduce the basis for restricting transferability of shares now provided for in the law under art. 685d para. 2 CO.

2.3 CHANGES IN CAPITAL

There have been no changes in the share capital in the past three years. On December 31, 2021, 2022 and 2023 the share capital was composed of 20'000'000 registered shares with a nominal value of CHF 0.10 each.

2.4 SHARES AND PARTICIPATION CERTIFICATES

Medacta Group SA has no other categories of shares other than one category of registered shares entitled to one vote each. The share capital of the Company as of December 31, 2023 amounted to CHF 2'000'000 and is divided into 20'000'000 registered shares with a nominal value of CHF 0.10 each. The share capital is fully paid-up. The shares rank pari passu in all respects with each other, including, in respect of entitlements to dividends (if any), to a share in the liquidation proceeds in the case of a liquidation of the Company and to pre-emptive rights.

The Company issues its shares only as uncertificated securities, within the meaning of article 973c of the Swiss Code of Obligations and enters them into the main register of SIS and, consequently, constitutes them as intermediated securities within the meaning of the Swiss Federal Intermediated Securities Act (FISA). In accordance with article 973c CO, the Company maintains a register of uncertificated securities.

2.5 DIVIDEND-RIGHT CERTIFICATES

In 2023, Medacta Group SA did not issue any dividend-right certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

The Company keeps a Share Register of the registered shares in which the owners/usufructuaries are entered with their name (for legal entities the company name), domicile, address and citizenship (for legal entities the legal domicile). Any person registered in the Share Register changing their address must inform the Company accordingly.

According to article 5 para. 3 of the Articles of Association, persons not expressly providing the confirmations listed in article 5 para. 2 (i.e. acquisition of the shares in their own name and for their own account; no agreement to take back or return the shares concerned; bearing of the economic risk associated with the shares; to comply with the disclosure requirements stipulated by the Federal Act on Financial Market Infrastructure (FMIA) of 19 June 2015) in their application for entry in the Share Register or upon request by the Company ("Nominees") are entered in the Share Register with voting rights without further inquiry up to a maximum of 3.0% of the share capital outstanding at that time. Above this limit, registered shares held by Nominees shall be entered in the Share Register with voting rights only if in its application for registration, or thereafter upon request by the Company, the Nominee discloses the names, addresses and shareholdings of the persons for whose account the Nominee is holding 0.5% or more of the share capital outstanding at that time and provided that the disclosure requirements stipulated by the Federal Act on Financial Market Infrastructure (FMIA) of June 19, 2015 are complied with. The Board of Directors has the right to conclude agreements with Nominees concerning their disclosure requirements.

According to article 5 para. 4 and para. 5 of the Articles of Association, and subject to article 652b para. 3 of the Swiss Code of Obligations, the described limit for registration also applies to the acquisition of registered shares, which are subscribed for or acquired by way of exercising any subscription, acquisition, option or convertible rights arising from shares or any other securities issued by the Company or third parties. For purposes of the aforementioned registration restrictions, legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in a like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with the intent to circumvent the entry restriction, are considered as one shareholder or Nominee.

The Company issues its registered shares only as uncertified securities (Wertrechte) and registers them as intermediated securities (in terms of FISA). Uncertified securities may only be transferred by way of assignment provided that they are not registered as intermediated securities. In order to be valid, the assignment must be reported to the Company, which may refuse the entry of the assignee in the Share Register in accordance with article 5 of the Articles of Association. The transfer restrictions according to article 5 are not affected by these regulations. For as long as the shares are in uncertificated form and registered as intermediated securities, any transfer and collateralization of shares has to be made in accordance with the FISA. The transfer of intermediated securities or the granting of security rights on intermediated securities by way of assignment is excluded.

The Company in special cases may on a discretionary basis decide to grant some exceptions to the above restrictions. In 2023, no such exemptions were granted.

The procedure and condition for the easement or abolition of the restrictions of the transferability of the registered shares in the Articles of Association require resolution of a shareholders' meeting passed by at least two thirds of the represented share votes and an absolute majority of the par value of represented shares is required to ease or abolish the restrictions on the transferability of registered shares (see article 13 of the Articles of Association).

The Company's Share Register is administered by SisWare AG, Militärstrasse 3, 6467 Schattdorf, Switzerland.

2.7 CONVERTIBLE BONDS AND OPTIONS

As of December 31, 2023, neither Medacta Group SA, nor any of its subsidiaries, had issued or outstanding any convertible bonds or options convertible into shares of the Company.

3. BOARD OF DIRECTORS

The Board of Directors plays a central role in the strategic guidance of the Group as well as supervising the overall business activities and management.

Accordingly, Board candidates are carefully selected to ensure that they are qualified and committed members, characterized by diversity of backgrounds as well as experience and expertise relevant for the specific role they play on the Board of Directors. In addition, because the current Chairman formerly served as Chief Executive Officer of Medacta International SA until 2018, the Board of Directors also has a Lead Independent Director.

The description of the role of the Lead Independent Director is available into section 3.5 "Internal organizational structure" of this Corporate Governance Report.

Philippe Weber, Riccardo Braglia, Maria Luisa Siccardi Tonolli, Alberto Siccardi and Victor Balli (from left to right).

3.1 MEMBERS OF THE BOARD OF DIRECTORS

As of December 31, 2023, the Board of Directors consisted of five Members (including the Chairman and the Lead Independent Director), all of whom are Non-Executive Directors.

The table below outlines the name, year of birth, position, committee memberships and year of appointment of the Members of the Board.

Name	Year of birth	Position	Committee Membership	Year of Appointment
Alberto Siccardi [1]	1944	Chairman	None	2018
Maria Luisa Siccardi Tonolli [2]	1975	Member	ARC	2018
Victor Balli	1957	Member; Lead Independent Director	ARC (Chairman)	2019
Philippe Weber	1965	Independent Director	HR & RemCo (Chairman)	2019
Riccardo Braglia	1960	Independent Director	HR & RemCo	2020

HR & RemCo = Human resources & Remuneration Committee
ARC = Audit and Risk Committee
[1] Founder and Chairman of the Board of Directors of Medacta International since 1999.
[2] Member of the Board of Directors of Medacta International from 2003 until 2014.

ALBERTO SICCARDI,

Swiss and Italian, Non-Executive, Chairman of the Board

Qualifications: Mr. Siccardi has a degree in Pharmacy from the University of Turin (1969) and a Master's degree in Business Administration (MBA) from SDA Bocconi School of Management in Milan (1979, with distinction).

Career Highlights: Mr. Siccardi served as CEO of Medacta International since founding Medacta in 1999 until November 2018 and as Chairman of the Company since March 2019. Prior to founding Medacta, the Siccardi's family owned Bieffe Medital SPA, an Italian company operating in the medical device industry. Mr. Siccardi successfully developed and expanded Bieffe Medital internationally, thanks to a new technology which improved the quality and the cost of sterile fluids and then subsequently sold the business developed by Bieffe in many countries to Baxter Group in 1997.

Other main activities: Mr. Siccardi further serves as Chairman of Surgical Practice Resource Group SA, Lugano since 2015 and as Chairman of the Medacta for Life Foundation, Castel San Pietro since 2011. He is Chairman of Verve SA, Castel San Pietro and a Board Member of Machi Holding SA, ALLES Holding SA and 2A Holding SA, Castel San Pietro since 2019.

Key attributes for the Board: Mr. Siccardi represents continuity, solidity and credibility among the various stakeholders. As founder and major shareholder of Medacta, Mr. Siccardi chairs the Board of Directors with his expertise and in-depth knowledge of the orthopedic products.

MARIA LUISA SICCARDI TONOLLI,

Swiss and Italian, Non-Executive, Member of the Board

Qualifications: Mrs. Siccardi Tonolli holds a Master of Science (MSc) in Business Administration from Bocconi University, Milan (2000) and has completed various professional training courses.

Career Highlights: Mrs. Siccardi Tonolli joined Medacta International SA in 2002 and served as a Member of its Board of Directors from 2003 until 2014. In early 2018, Mrs. Siccardi Tonolli was elected as Member of the Board of Directors of Medacta Group SA to the Board of the Company upon its incorporation. Mrs. Siccardi Tonolli has served in various finance, controlling and treasury roles at the Group maintaining a constant balance between her work commitments and private life. She served as Head of Strategic and Corporate Finance from 2003 until 2014 and then as Vice-President Finance / Treasury Supervisor from 2011 until April 1, 2019. In this role she led the IPO process until the listing in the SIX Swiss exchange. Since the IPO, Mrs. Siccardi Tonolli has exclusively served as a Member of the Board of Directors with a key focus and passion on Group Corporate Sustainability. Mrs. Siccardi is founder and Vice President of Medacta for Life Foundation, centred around the realization of philanthropic initiatives and socially driven projects for the protection and assistance of children and young people. The initiatives of the Foundation can be grouped into three specific areas: development of new generation through My School Ticino (started in 2019), funding for medical missions and participation in social projects. Mrs. Siccardi Tonolli has been responsible for the Siccardi's Family Office for over 20 years where she heads the wealth management and global real estate. She served as a Member of the Board of Verve SA since 2001, a real estate company domiciled in Switzerland.

Other main activities: Mrs. Siccardi Tonolli has served as the Head of the Siccardi Family Office since 2002. Mrs. Siccardi Tonolli also serves as a Member of the Board of Directors of Surgical Practice Resource Group SA, Lugano since 2015, as President of Machi Holding SA, Castel San Pietro since 2019, as Vice-President and Member of the Board of Directors of Medacta for Life Foundation, Castel San Pietro since 2011 and as Member of the Board of Directors of Verve SA, Castel San Pietro since 2001.

Key attributes for the Board: As a major shareholder of Medacta Group, Mrs. Siccardi Tonolli contributes with her experience in the field of ESG, finance, controlling, treasury and Real Estate.

VICTOR BALLI,

Swiss, Non-Executive, Member of the Board, Lead Independent Director

Qualifications: Mr. Balli holds a Master's degree in Economics from the University of St. Gallen (HSG) in St. Gallen (1984) and a Master of Science (MSc) in Chemical Engineering from the Swiss Federal Institute of Technology (ETH) in Zurich (1981). He has further completed various management courses at INSEAD, Fontainebleau France and INSEAD, Singapore.

Career Highlights: Mr. Balli was Chief Financial Officer of Barry Callebaut AG, Zurich, the largest global supplier of cocoa and chocolate products from 2007 to 2018. From 1996 to 2006, he was a director at Niantic Group, which represents the investment holding of Dr. Andreas Jacobs, and served in various executive and Board functions at subsidiaries of Niantic Group during that period. Mr. Balli served as Member of the Board of Directors and Chairman of the audit committee of Ceva Logistics AG, Baar from 2018 to 2019.

Other main activities: Member of the Board of Directors and Member of the compensation committee and Chairman of the audit committee of Givaudan SA, Vernier since 2016; Member of the Board of Directors and the Chairman of the audit committee of KWS Saat SE & Co. KGaA, Germany since 2017; since 2018 Member of the Board of Directors of the Swiss Federal Audit Oversight Authority in Bern (Revisionsaufsichtsbehörde, FAOA); since 2018, Member of the Board of Directors and Chairman of the audit committee of Louis Dreyfus Company International Holding B.V., Netherlands; since 2019, Member of the Board of Directors of Hemro AG, Bachenbülach; Member of the Board of Directors, of the audit and sustainability committees of SIKA AG, Baar since 2019.

Key attributes for the Board: In addition to his Board and executive experience in other companies, Mr. Balli has a strong track record in general management, finance and corporate finance.

PHILIPPE WEBER,

Swiss, Non-executive, Member of the Board, Independent Director

Qualifications: Mr. Weber holds a PhD in law (summa cum laude) from the University of Zurich (1995) and an LL.M. (with distinction) from the European University Institute (EUI) in Fiesole, Italy in 1995. He is an attorney-at-law admitted to the Swiss bar.

Career Highlights: Mr. Weber joined Niederer Kraft Frey AG (NKF) in 1994 and became a partner in 2002. In 2009 he became a member of the executive committee of NKF, which he chaired as managing partner from 2015 to March 2021. He continues to be a partner at NKF. From 1990 to 1992, he was a research assistant at the University of Zurich before joining the foreign affairs committees of the two chambers of the Swiss parliament as a legal clerk in 1992/1993.

Other main activities: Board of Directors member of Niederer Kraft Frey AG; Company Secretary of CLS Group Holdings AG, Lucerne (since 2002); Vice-chairman and Member of the Board of Directors of Leonteq AG and Leonteq Securities AG, Zurich (since 2020); Member of the Board of Directors of PolyPeptide Group AG, Zug (since 2021), NorthStar Holding AG, Roggwil (since 2018), Banca del Ceresio SA, Lugano (since 2017), EDAG Engineering Group AG, Arbon (since 2015), and Newron Suisse SA, Zurich (since 2007).

Key attributes for the Board: Mr. Weber has vast experience in corporate/ M&A, capital markets and banking law as well as corporate governance. He complements the Board with his extensive knowledge and experience with regards to legal and corporate matters as well as board member in various other listed and non-listed companies.

RICCARDO BRAGLIA,

Swiss, Non-executive, Member of the Board

Qualifications: Mr. Braglia holds a degree in Business Economics with specialization in Business Industrial Management from Bocconi University, Milan, Italy (1984).

Career Highlights: With a wealth of over 38 years of international experience in the pharmaceutical industry, Riccardo Braglia heads the family-run, privately-owned pharmaceutical company, the Helsinn Group, founded in 1976. Helsinn is a fully integrated, global biopharma company focused on addressing unmet needs in cancer and it has an innovative pipeline of cancer therapeutics, specialising in targeted therapies, and has a commercial portfolio of cancer therapeutic and supportive care products underpinning the business as it progresses its research and development of its fully integrated targeted therapies.

Other main activities: Helsinn Group's Executive Chairman holds various roles in other companies in the healthcare sector in Switzerland and abroad. He is Group Vice-Chairman, CEO and Board Member of 3B Future Holding SA, Board Member of HAS Healthcare Advanced Synthesis and Board Member of Fondazione Helmut Horten in Switzerland. He is Chairman, CEO and Managing Partner of 3B Future Health Ventures in Monaco and Chairman and General Partner of 3B Future Health Fund I and II in Luxembourg. He is Co- founder and Board Member of Lyfebulb, USA, which promotes networking initiatives to support patients with chronic diseases. He is also Member of the Advisory Board of the New York City- based venture capital firm Windham Ventures, USA. Moreover, Mr. Braglia is Member of the Board of the Conquer Cancer Foundation, USA, and Member of the CEO Roundtable on Cancer, USA, as well as of the Swiss-American Chamber of Commerce. He is also Member of the Advisory Board of the SDA Bocconi School of Management, Italy.

Key attributes for the Board: Riccardo Braglia has a strong track record in the healthcare industry, general management, marketing, distribution and leadership gained from his successful career. In addition to his business endeavors, Riccardo Braglia is engaged in philanthropic initiatives, supporting cultural, social, artistic activities as well as international research against cancer. He is the Co-founder and Chairman of Fondazione Nuovo Fiore in Africa, Switzerland, a foundation which focuses on providing educational and training aid and promoting, encouraging and supporting basic education for children, reducing illiteracy and social injustice in Africa, and he is also Member of the Board of the Fondazione Gabriele and Anna Braglia, Switzerland, of modern art.

ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS

Medacta aims to have a well-balanced Board of Directors with individuals who bring a variety of perspectives, backgrounds and skills. Accordingly, Board candidates have been carefully selected to ensure a collective set of important skills/traits. In addition, the Board of Directors carries out an annual self-assessment aimed at identifying strengths and areas of improvement.

The matrix below summarizes the updated set of skills/traits grouped into thirteen categories.

Board of Directors - Competence Matrix	Alberto Siccardi	Maria Luisa Siccardi Tonolli	Victor Balli	Philippe Weber	Riccardo Braglia
Executive experience	✔	✔	✔	✔	✔
Finance, audit, risk management	✔	✔	✔		
Compliance, regulatory, legal	✔		✔	✔	✔
Capital markets, M&A	✔	✔	✔	✔	✔
Core industry experience (medical device)	✔	✔			
Transferable expertise in related industries			✔		✔
Functional experience	✔	✔			✔
International business experience	✔	✔	✔		✔
Digitalization, Technology	✔	✔			✔
Strategy, business, transformation	✔	✔	✔	✔	✔
HR, Compensation	✔	✔		✔	✔
Board Governance	✔	✔	✔	✔	✔
Sustainability	✔	✔	✔	✔	✔

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Except as disclosed in the biographies of the Members of the Board of Directors, and as outlined below, no further activities or interests are carried out outside of the Group.

The matrix below summarizes the mandates currently covered by the Board Members:

Member of the Board	Enterprise	No profit organization/ No commercial entities	Location	Function
Alberto Siccardi	Surgical Practice Resource Group SA		CH	Chairman
		Medacta For Life Foundation	CH	Chairman
	Verve SA		CH	Chairman
	Machi Holding SA		CH	Board Member
	ALLES Holding SA		CH	Board Member
	2A Holding SA		CH	Board Member
Maria Luisa Siccardi Tonolli	Surgical Practice Resource Group SA		CH	Board Member
	Verve SA		CH	Board Member
		Medacta For Life Foundation	CH	Vice-President and Board Member
	Machi Holding SA		CH	President
Victor Balli	Givaudan SA		CH	Board Member
	KWS Saat SE & Co. KGaA		DE	Board Member
		Swiss Federal Audit Oversight Authority in Bern	CH	Board Member
	Louis Dreyfus Company International Holdings B.V.		NL	Board Member
	Hemro AG		CH	Board Member
	SIKA AG		CH	Board Member

Philippe Weber	Niederer Kraft Frey AG		CH	Board Member
	CLS Group Holdings AG		CH	Company Secretary
	EDAG Engineering Group AG		CH	Board Member
	PolyPeptide Group AG		CH	Board Member
	Newron Suisse SA		CH	Board Member
	NorthStar Holding AG		CH	Board Member
	Leonteq AG		CH	Vice-Chairman and Board Member
	Leonteq Securities AG		CH	Vice-Chairman and Board Member
	Banca del Ceresio SA		CH	Board Member
Riccardo Braglia	3B Future Holding SA Group (previously Helsinn Holding & Affiliates)		CH	Vice-Chairman and Board Member
	HAS Healthcare Advanced Synthesis SA		CH	Board Member
	Helsinn SA & Affiliates		CH	Executive Chairman
		Fondazione Helmut Horten	CH	Board Member
	WS Fashion Group		CH	Board Member
	Lyfebulb Headquarters		USA	Board Member
	GSTS - Gui Sheng Tang Sinomedica Holding SA		CH	Board Member
	RG Showroom srl		IT	Board Memeber
	Lauro & Giavatto SA		CH	President
	3B Future Health Ventures Sarl		MC	Board Member
	3G Future SAM		MC	Board Member
	3B Future Health Fund II S.C.A.-Raif SICAV		LU	Board Member
		Conquer Cancer The ASCO Foundation	USA	Board Member
		Fondazione Gabriele e Anna Braglia	CH	Board Member
		Fondazione Nuovo Fiore in Africa	CH	Board Member
		Fondazione per la ricerca sul cancro nel Ticino	CH	Board Member

3.3 PERMITTED ADDITIONAL ACTIVITIES PURSUANT TO THE ARTICLES OF ASSOCIATION

As required by the Swiss Code of Obligations art. 732 et seqq (entered into force on January 1, 2023), and in the interest of good governance, the Articles of Association limit the number of functions in superior management or administrative bodies of legal units other than the Company or its subsidiaries which Members of the Board are allowed to hold at one time.

According to article 23 of the Articles of Association, the Members of the Board of Directors may carry out the following activities in comparable positions in other undertakings with commercial objects (including their group) which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Group:

- up to 5 (respectively, the Chairman of the Board of Directors up to 4) mandates as Member of the Board of Directors or any other superior management or administrative body of publicly traded companies pursuant to article 727 para. 1 number 1 CO;
- up to 10 mandates as Member of the Board of Directors or any other superior management or administrative body of companies pursuant to article 727 para. 1 number 2 CO;
- up to 20 mandates as Member of the Board of Directors or any other superior management or administrative body of legal entities that do not meet the above-mentioned criteria;
- up to 20 mandates in associations, charity foundations and employee assistance foundations.

With respect to the additional activities of the Members of the Board of Directors, mandates in companies that are under uniform control or the same beneficial ownership are deemed one mandate.

All Members of the Board of Directors are within the limits of external mandates stipulated by the Articles of Association.

3.4 ELECTIONS AND TERMS OF OFFICE

In accordance with the Swiss Law, all Members of the Board of Directors, including the Chairman, are elected individually and may only be removed by a shareholders' resolution. The term of office for a Member of the Board of Directors is one year, subject to the possibility of re-election. In this context, a year means the time period between one annual shareholders' meeting and the next one or, if a Member is elected at an extraordinary shareholders' meeting, between such extraordinary shareholders' meeting and the next annual shareholders' meeting. The Board of Directors shall consist of a minimum of three members.

The Board of Directors appoints the Secretary who does not need to be a shareholder or Member of the Board of Directors.

If the office of the Chairman of the Board of Directors is vacant, the Board of Directors appoints a substitute for the time period until the conclusion of the next annual shareholders' meeting that must be a Member of the Board of Directors.

At the annual shareholders' meeting 2024, all Members of the Board of Directors will stand for re-election and no new Board Members will be proposed.

For information on the elections and terms of office of the Members of the Human Resources & Remuneration Committee and the Independent Proxy, see section 3.5 "Internal organizational structure" and section 10 "Independent Proxy", respectively.

3.5 INTERNAL ORGANIZATIONAL STRUCTURE

ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS

The internal organizational structure of the Board of Directors is set forth in the Organizational Regulations of Medacta Group SA, that determines the executive bodies of the Company and the Group, defines their responsibilities and competences regarding the management of the Company and of the Group, and regulates the functioning and cooperation of the various bodies in the Group management. The current Chairman of the Board is Alberto Siccardi and the current Lead Independent Director is Victor Balli (see more detailed description below).

To operate effectively and allow in-depth focus in specific areas, the Board of Directors has two standing Board Committees (each, a "Committee"): an Audit and Risk Committee and a Human Resources & Remuneration Committee, described in greater detail below.

The Committees have no decision-making authority of their own and the Board remains ultimately responsible for the tasks delegated to the Committees by law, the Articles of Association, the Organizational Regulations or other internal regulations.

In addition, the Board of Directors has delegated the day-to-day and operational activities of the Company and the Group as a whole to the Group Executive Management under the leadership of the CEO, subject to the duties and powers reserved to the Board by Swiss law, the Articles of Association and the Organizational Regulations. The Group Executive Management is directly supervised by the Board of Directors and its Committees.

At least annually, the Board reviews its own performance, as well as the performance of each of the Committees and the Group Executive Management. Such assessment seeks to determine whether the Board, the Committees and the Group Executive Management function effectively and efficiently. This annual review will be finalized during the approval of the Consolidated Financial Statements 2023 in March 2024.

TASKS OF THE LEAD INDEPENDENT DIRECTOR

The Board of Directors has also elected a Lead Independent Director that, among other things, chairs meetings of the Board or the annual/extraordinary shareholders' meeting if the Chairman is required to abstain from the deliberation and decision-taking in case the following items are on the agenda: (i) assessment of the work of the Chairman; (ii) decision of the Board on the request to the annual/extraordinary shareholders' meeting for the re-election or not of the Chairman; (iii) decision about the compensation of the Chairman; and (iv) any other matters in which the Chairman has a conflict of interest. The Lead Independent Director is entitled to call a meeting of the Board whenever he deems fit. If the Chairman is indisposed, the Lead Independent Director shall take the chair at the meetings of the Board and the General Meeting.

Victor Balli is currently serving as the Company's Lead Independent Director.

WORKING METHODS OF THE BOARD OF DIRECTORS

Meetings of the Board are held as often as the business requires, but as a general rule at least four times per year and are convened by the Chairman if and when the need arises or whenever a Board Member or the CEO, indicating the reasons, so requests in writing. If the Chairman does not comply with such request within 14 days, the Lead Independent Director may be entitled to call the meeting.

Notice of meetings is given at least five business days prior to the meeting and it sets forth the time, place and agenda of the meeting so that Board Members may have a reasonable understanding of the business intended to be conducted at the meeting. Board Members are provided with all necessary supporting materials at least five business days prior to the meeting.

The Chairman, or in his absence the Lead Independent Director, or in the absence of both, a Board Member designated by the attending Board Members, chairs the meeting.

Each Board Member must disclose to the Chairman and the CEO, respectively, regarding any conflict of interest arising or relating to any matter to be discussed at the meeting of the Board as soon as the Board Member becomes aware of its potential existence. The Chairman (or, if applicable, the Lead Independent Director) and the CEO, respectively, may decide upon appropriate measures to avoid any interference of such conflict of interests with the decision-making of the Company.

In principle (and as set forth by the Organizational Regulations), the CEO and the other Members of the Group Executive Management attend the meetings of the Board as guests without the right to vote. Other members of the management of the Group are expected to participate at meetings of the Board if specific issues falling within the responsibility of that management member are on the agenda. The Chairman decides if and which persons outside the Board are entitled to attend meetings of the Board.

In order to pass resolutions, not less than a majority of the Board Members must be participating in the meeting (whether in person, by phone or videoconference). The Board may pass its resolutions with the majority of the votes cast (simple majority). Abstentions count as votes uncast. In case of a tie of votes, the Chairman has the casting vote.

The minutes are signed by the Chairman (or by other Board Member that chaired the meeting) and the Secretary. Board resolutions may also be passed by means of circular resolutions, by letter, facsimile or pdf-document (e-mail) provided that no Board Member requests within five days of receipt of the proposed resolution either by phone, facsimile or e-mail the deliberation to take place in a meeting. Board resolutions by means of circular resolutions require the affirmative vote of the majority of the Board Members.

The Secretary prepares the agenda for each Board meeting, keeps the Board minutes, and assists the Board, the Chairman and the Lead Independent Director to coordinate and fulfil their duties and assignments. The Secretary is responsible for keeping the Company's official corporate documents and records.

For more details about informational duties of the Committees, see sub-headings "Audit and Risk Committee" and "Human Resources & Remuneration Committee".

BOARD OF DIRECTORS MEETINGS 2023

In 2023, the Board of Directors met six times, both in video conference and in presence, for an average duration of three hours. The CEO along with the other members of the Group Executive Management attended each of the six Board meetings in 2023.

The following table outlines the dates and the attendees of each meeting of the Board of Directors.

Date	Attendees	Other Attendees
02.02.2023	Board of Directors (All)	Group Executive Management (All)
	Donato Cortesi (Secretary)	
	Edoardo Buzzi (Deputy Secretary)	
16.03.2023	Board of Directors (All)	Group Executive Management (All)
	Donato Cortesi (Secretary)	Luigi Tonolli (Senior Strategic Financial Advisor)
	Edoardo Buzzi (Deputy Secretary)	Giorgio Botta (IR)
		Sean Fitzsimmons (Knnex Health)
		Eric Dremel (Knnex Health)
		John Thro (Knnex Health)
23.05.2023	Board of Directors (All)	Group Executive Management (All)
	Edoardo Buzzi (Deputy Secretary)	Luigi Tonolli (Senior Strategic Financial Advisor)
		Giorgio Botta (IR)
27.07.2023	Board of Directors (All)	Group Executive Management (All)
	Donato Cortesi (Secretary)	Giorgio Botta (IR)
	Edoardo Buzzi (Deputy Secretary)	Luigi Tonolli (Strategic Finance Advisor)
21.09.2023	Board of Directors:	Group Executive Management (All)
	Alberto Siccardi	Luigi Tonolli (Senior Strategic Financial Advisor)
	Maria Luisa Siccardi Tonolli	Giorgio Botta (IR)
	Riccardo Braglia	
	Philippe Weber	
	Edoardo Buzzi (Deputy Secretary)	
20.12.2023	Board of Directors (All)	Group Executive Management (All)
	Donato Cortesi (Secretary)	Luigi Tonolli (Senior Strategic Financial Advisor)
	Edoardo Buzzi (Deputy Secretary)	Giorgio Botta (IR)

The key topics of the Board of Directors in 2023 included, among other things:

- 2022 full-year and 2023 half-year unaudited top-line figures;
- performance review 2022 and outlook 2023;
- competitors' performance overview;
- approval of updated Internal Control Framework Matrix;
- Management Report, Statutory Financial Statements and Consolidated Financial Statements for the financial year 2022 and proposal to AGM for approval;
- approval of the Remuneration Report 2022 and proposal to AGM for consultative vote;
- approval of proposal to AGM for appropriation of available retained earnings as of December 31, 2022, and proposal to AGM of distribution of ordinary dividend and of capital contribution reserves:
  - proposal of appropriation of available retained earnings and dividend distribution;
  - proposal of appropriation and distribution of reserves from capital contribution;
  - approval of Ex-date, Record date and Value (payment) date for distributions of dividend and capital reserves;
- approval of proposal to AGM for discharge to the Board of Directors and discharge to the Group Executive Management;
- approval of proposal to AGM for re-election of the members of the Board of Directors and of the President of the Board;
- approval of proposal to AGM for re-election of the members of the HR & Remuneration Committee;
- approval of proposal to AGM for re-election of the Independent Proxy Holder;
- approval of proposal to AGM for re-election of the Auditors;
- approval of proposal to AGM for remunerations to the members of the Board of Directors;
- approval of proposal to AGM for the maximum aggregate amount of remuneration for the members of the Board of Directors for the period AGM April 2023 to AGM 2024;
- approval of proposal to AGM for the remuneration of consulting services provided by the members of the Board of Directors for the period AGM April 2023 to AGM 2024;
- approval of proposal to AGM for the maximum aggregate amounts of remunerations to the members of the Group Executive Management;
- approval of proposal to AGM for the maximum overall fixed compensation of the Executive Management that may be paid in 2024;
- approval of proposal to AGM for the maximum overall variable short-term compensation for the Executive Management for the most recently concluded financial year (i.e. 2022);
- approval of proposal to AGM for the maximum overall variable long-term compensation of the Executive Management that may be allocated in 2024;
- approval of Annual General Meeting procedures and organization;
- approval of Investors' Presentation and Press Release;
- Preliminary Investor Relation Activity Plan 2024
- changes of significant shareholders;
- discussion and approval of the Group 3-years business plan (2023-2025);
- discussion and approval of amendments to the Articles of Association and Company regulations following the reform of Swiss corporation law;
- performance targets approval and confirmation of eligible persons of the Group LTIP;
- performance targets approval of the 2023 Group Executive Management short-term incentives;
- review of Board of Directors self-assessment;
- update on ESG reporting and on Sustainability Report;
- approval of 2022 Sustainability Report;
- updates on litigations;
- approval of the 2024 and 2025 financial calendar;
- approval of press releases and investors presentations;
- presentation and approval of budget 2024;
- industrial projects and industrial long-term plan review;
- updates from ARC and HR&RemCo Committees;
- performance review financial results 2023;
- presentation of communication plan;
- update on share price evolution compared to Group financial results;
- discussion on SIX Swiss exchange rules' amendment concerning disclosure of Management Transactions.

COMMITTEES AND WORKING METHODS OF THE COMMITTEES

Subject to the provisions of the Articles of Association, the Committees generally comprise at least two Members of the Board of Directors. Each Committee has its own charter governing its duties and responsibilities.

The Committees have no decision-making authority of their own and the Board remains ultimately responsible for the tasks delegated to the Committees by law, the Articles of Association, the Organizational Regulations or other internal regulations.

The Committees keep the Chairman informed at least at the occasion of each Board meeting about all important strategic issues, transactions as well as any business situations and/or developments within their scope of responsibilities and duties. The Chairman monitors such informational duty of the Committees. The Chairman reports to the Board on information received from the Committees. In addition, the Chairman immediately informs the other Board Members of any extraordinary situation regarding the Company or the Group of which the Chairman may become aware. The Chairman of each Committee provides the full Board of Directors at their meeting with an overview of key topics discussed at the most recent Committee meeting. In addition, the signed minutes from each Committee meeting are circulated to the full Board once available for their review.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board of Directors in fulfilling its responsibilities defined by applicable law, the Articles of Association, the Organizational Regulations and the Audit and Risk Committee Charter with respect to matters involving the financial and risk management aspects of governance of the Company and the Group.

The Audit and Risk Committee consists of at least two Members of the Board of Directors. The Members of the Audit and Risk Committee are appointed by the Board of Directors. At least one member, including the Chairman, of the Audit and Risk Committee is independent. Members of the Audit and Risk Committee must have the necessary qualifications and skills and possess financial literacy and keep themselves up to date regarding risk management best practices.

The Members of the Audit and Risk Committee are Victor Balli (Chairman) and Maria Luisa Siccardi Tonolli.

The Audit and Risk Committee meets at such frequency as it deems necessary to fulfil its duties, normally ahead of ordinary Board of Directors meetings and at least four times per year. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Audit and Risk Committee member, or upon request of the Compliance Officer. For more details about the role of the Compliance Officer, see sub-heading 3.8 “Compliance and quality assurance” of this report.

The Board Secretary (or the Deputy Secretary of the Board) prepares the agenda for each meeting, keeps the minutes and assists the Audit and Risk Committee and the Chairman to coordinate and fulfil their duties and assignments.

The minutes are signed by the Chairman of the Audit and Risk Committee and the Secretary and are made available to the full Board thereafter. The resolutions may also be passed by means of circular resolutions, by letter, facsimile or pdf-document (e-mail) provided that no Member requests within five days of receipt of the proposed resolution either by phone, facsimile or e-mail the deliberation to take place in a meeting. Resolutions by means of circular resolutions require the affirmative vote of the majority of the members.

In particular, the Audit and Risk Committee has the following duties:

- assessing the adequacy and effectiveness of the Group's internal and prudential systems and controls in respect of both financial and non-financial risks, including the risk of fraud, the Company's and the Group's compliance with legal obligations, workplace health and safety, environmental, insurance and other regulatory requirements and relevant compliance matters, as well as with policies issued by the Company, including through discussions with and reviewing reports from the external auditor, internal officers (including, in particular, the Compliance Officer) and management and through the consideration of and adaptation to major legislative and regulatory developments with significant impact on the Group, local management's procedures to comply with local laws, and the Company's and the Group's system to handle external and internal complaints;
- evaluating the external auditors, regarding the fulfilment of the necessary qualifications and independence according to the applicable legal provisions, and making proposals to the Board concerning the choice of the external auditors;
- assessing the work performed by the external auditors and approving the budget for auditing fees;
- reviewing the external audit reports with the external auditors, and issuing the necessary applications and recommendations to the Board;
- pre-approving any necessary non-audit specific services provided by the external auditors;
- examining, reviewing and approving the Company's accounting policies and changes thereto, as well as monitoring compliance with such accounting policies;
- reviewing the interim financial statements and annual audited financial statements (including material items not shown on the annual balance sheet) of the Company and the Group with the external auditor and the relevant Members of the Group Executive Management as well as issuing the necessary applications and recommendations to the Board prior to the publication of the financial statements; thereby the Audit and Risk Committee shall review (including the review from the external auditors): (A) the Company's selection or application of accounting principles and the adequacy and effectiveness of internal control over financial reporting, (B) significant financial reporting issues and judgments applied by management, (C) effects of significant regulatory and accounting initiatives, and (D) the completeness and clarity of the disclosures in the financial statements;
- reviewing and approving all related party transactions required to be disclosed;
- reviewing and discussing earnings press releases, as well as financial information and earnings guidance provided to analysts, the investment community and rating agencies;
- reviewing and discussing with management and the external auditor any deficiencies in internal control, including internal control over financial reporting, as well as management's respective remediation measures and their implementation;
- approving the Company's Group treasury policy, and reviewing the Company's funding strategy and position, as well as the Company's liquidity risk management, foreign exchange risk management, interest risk management and counterparty credit risk management processes;
- reviewing the Company's tax planning and tax compliance processes, including the design and implementation of transfer pricing guidelines;
- reviewing the status of material legal proceedings that the Company is party to, including measures taken by management to protect the interests of the Company;
- reviewing the Company's insurance programs;
- reviewing the Company's enterprise risk management system, management's assessment of the Company's major risks, as well as evaluating the respective measures taken by the Group;
- reviewing of the Group's short-term incentive and long-term incentive targets, calculations and adjustments; and
- generally assessing the yearly business expenses of the Members of the Group Executive Management.

The Audit and Risk Committee met four times, both in presence and in video conference meetings, for an average duration of two hours in 2023. The key topics included, among other things:

- review and approval of the 2022 Consolidated Financial Statements, Statutory Financial Statements and related Annual Management Report;
- update on financial and liquidity ratios, including full year outlook;
- review of the external auditor including management letter for year 2022;
- review of the appropriation of earnings for 2022 and distribution of dividend and of capital contribution reserves;
- proposal to the Board for the approval of the annual accounts and appropriation of earnings;
- update on material legal proceedings and / or relevant compliance matters;
- update on ESG reporting (including potential audit engagement);
- assessment of independence and performance of external auditors;
- review of the Risk control matrix and of updated internal control framework matrix and future procedures for the year 2023;

- update risk management: presentation of quality management system including audit procedures, results from monthly CAPA meetings; presentation of matrix with priorities and effectiveness; selection of risks for future deep dive; Cyber Security, Transfer Price study annual update, development plan of financial reporting system, transactions with related parties;
- update from Deloitte on Audit plan for financial statements 2023;
- updates on Risk Assessment framework.

The following table outlines the dates and the attendees of each meeting:

Date	Attendees	Other Attendees
15.03.2023	Audit and Risk Committee (All) Edoardo Buzzi (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Philippe Weber (Member of the Board) Riccardo Braglia (Member of the Board) Francesco Siccardi (CEO) Corrado Farsetta (CFO) Antonio Di Brino (VP of Finance and Tax) Deloitte SA - Fabien Lussu; Michele Castiglioni
23.05.2023	Audit and Risk Committee (All) Edoardo Buzzi (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Riccardo Braglia (Member of the Board) Philippe Weber (Member of the Board) Francesco Siccardi (CEO) Alessandro Siccardi (CSCO) Corrado Farsetta (CFO) Gregory Bussone (Quality Assurance Director) Filippo Cappelli (Head of IT)
20.09.2023	Audit and Risk Committee (All) Edoardo Buzzi (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Riccardo Braglia (Member of the Board) Francesco Siccardi (CEO) Alessandro Siccardi (CSCO) Corrado Farsetta (CFO) Deloitte AG- Fabien Lussu; Michele Castiglioni Gregory Bussone (Quality Assurance Director)
20.12.2023	Audit and Risk Committee (All) Edoardo Buzzi (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Philippe Weber (Member of the Board) Riccardo Braglia (Member of the Board) Group Executive Management (All) Gregory Bussone (Quality Assurance Director) Deloitte SA - Fabien Lussu; Michele Castiglioni Luigi Tonolli (Senior Strategic Financial Advisor)

HUMAN RESOURCES & REMUNERATION COMMITTEE

The function of the Human Resources & Remuneration Committee is to support the Board of Directors in remuneration matters by exercising the duties assigned to it under the Articles of Association, the Organization Regulations and the Remuneration Committee Charter with respect to matters involving the compensation aspects of the Company and the Group.

The Human Resources & Remuneration Committee consists of at least two Members of the Board of Directors who are elected individually by the shareholders' meeting. The Chairman of the Human Resources & Remuneration Committee is independent and is appointed by the Board of Directors. The term of office of the Members of the Human Resources & Remuneration Committee is one year. In this context, a year means the time period between one annual shareholders' meeting and the next one or, if a Member is elected at an extraordinary shareholders' meeting, between such extraordinary shareholders' meeting and the next annual shareholders' meeting. Re-election is possible. If the Human Resources & Remuneration Committee is not complete the Board of Directors shall appoint a substitute from among the other Members of the Board of Directors for the period until the conclusion of the next annual shareholders' meeting.

The Human Resources & Remuneration Committee is composed by the independent directors Philippe Weber (Chairman) and by Riccardo Braglia.

The Human Resources & Remuneration Committee meets at such frequency as it deems necessary to fulfil its duties, normally ahead of ordinary Board meetings and at least four times per year. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Remuneration Committee Member.

The Board Secretary (or the Deputy Secretary of the Board) prepares the agenda for each meeting, keeps the minutes, and assists the Remuneration Committee and the Chairman to coordinate and fulfil their duties and assignments.

The minutes are signed by the Chairman of the Human Resources & Remuneration Committee and the Secretary and are made available to the full Board thereafter. The resolutions may also be passed by means of circular resolutions, by letter, facsimile or pdf-document (e-mail) provided that no Member requests within five days of receipt of the proposed resolution either by phone, facsimile or e-mail the deliberation to take place in a meeting. Resolutions by means of circular resolutions require the affirmative vote of the majority of the members.

In particular, the Human Resources & Remuneration Committee has the following duties:

- making proposals to the full Board of Directors regarding the compensation scheme of the Group pursuant to the principles set forth in articles 25 and 26 of the Articles of Association;
- making proposals to the full Board of Directors regarding the determination of compensation-related targets for the Group Executive Management;
- making proposals to the full Board of Directors regarding the approval of the individual compensation of the Chairman of the Board of Directors, the other Members of the Board of Directors as well as the maximum aggregate compensation of the CEO;
- making proposals to the full Board of Directors regarding the individual compensation (fixed and variable compensation) of the other Members of the Group Executive Management as well as their further terms of employment and titles;
- making proposals to the full Board of Directors regarding amendments to the Articles of Association with respect to the compensation scheme for Members of the Group Executive Management;
- making proposals to the full Board of Directors regarding mandates pursuant to article 23 of the Articles of Association and further additional occupation of the Members of the Group Executive Management; and undertaking further duties and responsibilities as provided for in the Articles of Association, the Organization Regulations or law.

The Human Resources & Remuneration Committee met four times both in video conference and in presence meetings, for an average duration of one hour and half in 2023.

The key topics included, among other things:

- approval of the 2022 Remuneration Report and proposal to the Board for approval;
- review of 2023 Remuneration Report Draft;
- approval of adapted LTIP Regulations (Performance Share Plan Regulations);
- approval of proposal to the Board of Directors for remunerations to the members of the Board of Directors;
- approval of proposal to the Board of Directors for the maximum aggregate amounts of remunerations to the members of the Group Executive Management;
- review and approval of individual remunerations of other GEM members and proposal to the Board for approval (including benchmarking study on salaries for top management positions);
- presentation of overview of all remunerations, retention tools and incentive systems;
- performance targets approval of the 2022 Group Executive Management short-term incentives and proposal to the Board for approval;
- review and approval of the performance targets and confirmation of eligible persons of the Group Long-Term Incentive Plan (LTIP) subject to approval of the 3-years business plan 2023-2025 by the Board and proposal to the Board to approve the performance targets and to confirm the eligible persons of the LTIP;
- performance targets approval of the 2023 GEM short-term incentives and proposal to the Board for approval;
- update regarding support in Professional education and communication to personnel;
- update on the Group's Organisational Chart;
- global HR Metrics (focus on some key metrics);
- update on Employer Value Proposition, commitments implemented;
- update on Talent Management & Learning & Development processes;
- implementation of HQ Payroll&Time Attendance (automation, efficiency and security);
- 2024 LTI vesting Plan and 2025 LTIP Regulation – administrative adjustments;
- discussion on new frontier worker rules and potential tax implications;
- proposal of changes to Organizational Values;
- proposed elected participants on 2024 award cycle;
- GEM structure and future development.

The Human Resources & Remuneration Committee provides the Board of Directors with:

- a yearly report on the activities of the Human Resources & Remuneration Committee;
- a report on individual remuneration amounts paid, including a breakdown of remuneration elements;
- a review of the remuneration process on an annual basis; and
- any other extraordinary remuneration related matters as deemed appropriate.

The following table reports the dates and the attendees of each meeting:

Date	Attendees	Other Attendees
15.03.2023	HR&Remuneration Committee (All)	Alberto Siccardi (President of the Board)
	Edoardo Buzzi (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (CSCO)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (Group HR Director)
		Antonio Di Brino (VP of Finance and Tax)
23.05.2023	HR&Remuneration Committee (All)	Alberto Siccardi (President of the Board)
	Edoardo Buzzi (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (CSCO)
		Luigi Tonolli (Strategic Finance Advisor)
		Asif Hussain (Group HR Director)
20.09.2023	HR&Remuneration Committee (All)	Alberto Siccardi (President of the Board)
	Edoardo Buzzi (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (CSCO)
		Luigi Tonolli (Strategic Finance Advisor)
		Asif Hussain (Group HR Director)
20.12.2023	HR&Remuneration Committee (All)	Alberto Siccardi (President of The Board)
	Edoardo Buzzi (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (CSCO)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (Group HR Director)
		Antonio Di Brino (VP of Finance and Tax)

3.6 AREAS OF RESPONSIBILITY

The Board constitutes the highest executive body of Medacta with the ultimate strategic direction of the Company as well as the oversight of management. This includes determining the strategy of the Group as well as the appointment and dismissal of the Members of the Group Executive Management. Its responsibilities, duties and competencies and the procedural principles by which it is governed are specified by law, the Articles of Association and Organizational Regulations.

The Board may take decisions on all matters that are not expressly reserved to the shareholders' meeting or to another corporate body by law, by the Articles of Association or the Organizational Regulations.

Save to the extent expressly stated otherwise in the Organizational Regulations, the Articles of Association or mandatory law, the responsibility and authority necessary or appropriate to carry out the day-to-day and operational activities of the Company and the Group as a whole is delegated to the Group Executive Management under the leadership of the CEO.

Subject to mandatory law and the Articles of Association, the Board may delegate further responsibilities to the Audit and Risk Committee and the Human Resources & Remuneration Committee, single Board Members or the Group Executive Management from time to time.

The Board has the following non-transferable and inalienable rights and duties as set forth by law:

- overall management and issuing of related directives;
- determine the organization, in particular, to adopt, regularly revisit and amend the Organizational Regulations;
- organization of the accounting, financial control and financial planning systems as required for the overall management;
- appoint and dismiss the Members of the Group Executive Management and to grant all forms of signing authorities;
- overall supervision of the persons entrusted with management, in particular with regard to compliance with law, with the Articles of Association, with the Organizational Regulations and further directives;
- review and approve the Annual Report and the proposed dividend;
- preparation for the general meetings and implementation of related shareholder resolutions;
- notification of the court in the event that the Company is over-indebted;
- preparing the Remuneration Report (article 13 et. seqq. OaEC);
- pass resolutions regarding the increase of share capital to the extent that this is within the authority of the Board (article 734 et seq. CO) as well as the adoption of the capital increase and the amendments to the Articles of Association entailed therewith; and
- pass resolutions regarding agreements in respect of mergers, de-mergers, transformations or transfers of assets and liabilities in accordance with the Swiss Merger Act.

3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE GROUP EXECUTIVE MANAGEMENT

The Board of Directors has various process flows in place to oversee, monitor and control the implementation of the Group's strategy as well as the execution of the responsibilities delegated to the Group Executive Management. The Group Executive Management reports regularly to the Board of Directors and its Committees. The CEO regularly informs the Board of Directors on the status of current business matters and financial results, presents relevant strategic initiatives as well as major business transactions. For extraordinary matters including significant unanticipated developments, the CEO is obliged to immediately report to the Board of Directors according to section 2.1.4 of the Organizational Regulations. During the course of 2023, the Group Executive Management attended each meeting of the Board of Directors and provided comprehensive business updates.

According to section 6.6 of the Organizational Regulations, the CFO, in cooperation with the CEO, ensures good financial governance, overseeing all financial planning, budgeting (short- and mid-term), reporting and risk management activities. Furthermore, the CFO leads the implementation of systems and procedures to seek to ensure compliance with regulatory requirements for financial information, reporting, disclosure requirements, and internal control. On a quarterly basis, the Board of Directors receives a Financial Report with the profit and loss statement, the balance sheet, and the cash flow statement, as well as a summary of the business performance, updates on various initiatives and outlook. Telephone conferences are held, as required, between Board Members and the Group Executive Management. Furthermore, each Member of the Board of Directors may request information on all matters concerning the Group at any time. The Board of Directors is also responsible for the Group's internal control system, which provides the ultimate

oversight for Medacta's strategy, operations and finances. The internal control system of Medacta is structured to ensure the correct disclosure and adequate coverage of control over all Group activities, with particular attention on areas considered potentially at risk, such as risk management process throughout the entire lifecycle of Medacta medical devices and financial reporting risks associated to external requirements. Each Board Member is entitled to request information concerning all affairs of the Company and the Group reasonably necessary to fulfil their fiduciary duties. In 2023, the Board, and particularly the Audit and Risk Committee, have been updated regularly by members of the Group Executive Management and the Quality Director on all key risks facing the Group, such as quality control, business continuity and sustainability, ESG developments, and other key risk areas defined by the Enterprise Risk Management framework, which has been approved by the Board of Directors in December 2023. Notable Enterprise Risk Management updates in 2023 have included significant risk mitigations activities, including but not limited to: implementation of a Business Continuity Management System based on ISO 22301, approval of Strategic Project Charter for Cybersecurity advancement, completion of a Preventive Action Project for ESG compliance, a dedicated risk analysis for human rights protection in the supply chain, and a certificate of analysis prepared for conflict minerals based on Swiss federal law. The Enterprise Risk Management framework was also further developed to be in full alignment with a new Double Materiality Assessment completed in 2023 with independent third-party coordination by expert faculty of the University of Applied Sciences and Arts of Southern Switzerland (SUPSI). The monitoring of risk controls was also updated to reference the independent Liability Risk Assessment conducted by AXA in 2023, which concluded that the inherent of the medical device segment are offset by the excellent risk management and quality assurance processes implemented by Medacta.

Enterprise Risk Management is also fully integrated in the Management Review process, with quarterly review meetings to evaluate performance metrics, emerging risks, and any factors which could impact business continuity. The Management Review process, which includes the Group Executive Management, Compliance Officer, and Quality Director, drives a continuous closed-loop process to ensure proactive mitigation of risks and alignment of execution with strategy.

In addition, Medacta has developed, implemented and maintains quality management systems that meet all relevant medical device industry standards with certification according to ISO 13485 (the global standard for medical device quality systems), and MDSAP (Medical Device Single Audit Program), which certifies Medacta to the major global medical device quality regulations of the US FDA, Japan, Australia, Brazil, and Canada in combination with ISO 13485, ensuring high quality products, processes, and related customer support. As of December 31, 2023, our quality function comprised 17 quality assurance professionals, who are responsible for ensuring our corporate activities are conducted under compliant, effective, and well-documented processes, and 31 quality control professionals, who are responsible for ensuring all components and associated processes fully conform with the specified requirements.

3.8 COMPLIANCE AND QUALITY ASSURANCE

According to the Organizational Regulations, the CEO designated a Group Compliance Officer ("Compliance Officer") who is responsible to develop and maintain compliance policies, promote a culture of responsibility, conduct risk analyses, identify remediation needs, and provide training, and take other steps to assist the Group in meeting its legal, regulatory and ethical obligations. The Compliance Officer also acts as the Data Protection Officer of the Group. The Compliance Officer reports to the CEO. However, the Compliance Officer has direct access to the Audit and Risk Committee and reports to the Audit and Risk Committee whenever requested by the Audit and Risk Committee or if there exists a significant compliance or risk issue that involves or implicates a member of the Group Executive Management which the Compliance Officer believes cannot be or has not been appropriately addressed by, or directly implicates, the CEO. The current Compliance Officer is Stefano Baj.

According to the Organizational Regulations, the CEO designated a head of quality assurance ("Quality Director") who reports to the CEO. The Quality Director heads the Group's quality control and assurance team responsible for setting, reviewing, monitoring, revising and implementing the Group's quality management and control systems and programs to meet the relevant medical device industry standards and ensure high quality products, processes and related customer support. The current Quality Director is Gregory Bussone.

4. GROUP EXECUTIVE MANAGEMENT

The Board of Directors has delegated the day-to-day and operational activities of the Company and the Group as a whole to the Group Executive Management under the leadership of the CEO, subject to the duties and powers reserved to the Board by Swiss law, the Articles of Association and the Organizational Regulations. Under the leadership of the CEO, the Group Executive Management is responsible to ensure the execution of the decisions of the Board and to implement the strategy of the Group in accordance with the law, the Articles of Association, the Organizational Regulations and the resolutions of the extraordinary/annual shareholders' meeting. The Group Executive Management is directly supervised by the Board of Directors and its Committees.

Alessandro Siccardi , Francesco Siccardi and Corrado Farsetta (from left to right).

4.1 MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT

The Group Executive Management is headed by the CEO and currently comprises three Members, specifically the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Supply Chain Officer (CSCO).

Pursuant to the Organizational Regulations, the CEO may be appointed and removed by the Board of Directors. The other Group Executive Management Members are appointed and removed by the Board of Directors in consultation with the CEO (except in cases of appointment or removal of the CEO).

The table below outlines the name, year of birth, year of appointment and position of the Members of our Group Executive Management.

Name	Year of birth	Year of Appointment	Position
Francesco Siccardi	1977	2018	CEO
Corrado Farsetta	1968	2011	CFO
Alessandro Siccardi	1986	2016	CSCO

FRANCESCO SICCARDI,

Swiss and Italian, CEO, Member of the Group Executive Management.

Qualifications: Mr. Siccardi holds a Master of Science (MSc) in Biomedical Engineering from the Polytechnic University of Milan (2002). He also completed the Executive Program for Growing Companies (EPGC) at Stanford Business School Executive Education in Stanford, California, USA (2009).

Career highlights: Mr. Siccardi joined Medacta International in 2002 and served as a Member of its Board of Directors since 2003. He then served on the Board of the Company from its incorporation until March 21, 2019. Following the retirement of the Company's Chairman, Mr. Siccardi was appointed Chief Executive Officer as of November 1, 2018. Prior to becoming CEO, he served as Executive Vice-President and Medical Affairs Manager (from 2013 to 2014) and as Executive Vice-President (from 2014 to 2018). He further served on the Board of various Medacta Group companies internationally.

Other main activities: Member of the Board of Directors of Surgical Practice Resource Group SA, Lugano since 2015, Member of Verve SA since 2004 and of Medacta for Life Foundation, Castel San Pietro since 2011. He then served as Member of the Board of Medacta For Life Foundation from October 13, 2011 to December 31, 2023.

CORRADO FARSETTA,

Italian, CFO, Member of the Group Executive Management.

Qualifications: Mr. Farsetta holds a Master of Science (MSc) in Business Administration from Bocconi University, Milan (1993). He also completed post degree program on Value Based Management from SDA Bocconi School of Management, Milan.

Career highlights: Mr. Farsetta was appointed as Chief Financial Officer of Medacta International in 2011. Prior to becoming CFO, Mr. Farsetta served as Group Controller (from 2008–2011). From 2006 to 2007, Mr. Farsetta was Group Controller of Sympak Group and Senior Manager of TGrow Management Consulting from 1999 to 2005. He has further served as Controller of Air Liquide (from 1995 to 1999) and as Controller of Lamberti S.p.A. (from 1994 to 1995). He further serves on the Board of various Medacta Group companies internationally.

ALESSANDRO SICCARDI,

Swiss, Chief Supply Chain Officer, Member of the Group Executive Management.

Qualifications: In 2015 Mr. Siccardi completed the Program for Management Development (PSM) at the SDA Bocconi School of Management, Milan with a focus on general management, marketing and sales strategies. In 2020 he also completed a Supply Chain Course at the SDA Bocconi School of Management, Milan.

Career highlights: Mr. Siccardi joined Medacta International in 2011 and served as a Member of its Board of Directors since 2013. He then served on the Board of the Company from its incorporation until March 21, 2019. Mr. Siccardi was appointed Supply Chain Director of Medacta International in 2016. Prior to becoming SCD, Mr. Siccardi previously served as International Area Director (from 2012 to 2016) and as Marketing Assistant (from 2011 to 2012).

Other main activities: Mr. Siccardi is a Member of the Board of Directors of Surgical Practice Resource Group SA since 2015, Member of the Board of Directors of the Medacta for Life foundation since 2011 Member of Verve SA since 2021 and he is President of 2A Holding SA since 2019. He further serves on the Board of Medacta International SA and Medacta Holding SA.

The employment agreements of the Members of the Group Executive Management are in principle concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. With respect to employment agreements entered into for an indefinite period, the maximum notice period must not exceed 12 months.

The Group Executive Management is supported by further Members of management who form part of the Extended Group Management.

4.2 OTHER ACTIVITIES AND VESTED INTERESTS

Except as disclosed in the biographies of the Members of the Group Executive Management, no further activities or interests are carried out outside of Medacta.

4.3 PERMITTED ADDITIONAL ACTIVITIES PURSUANT TO THE ARTICLES OF ASSOCIATION

As required by Article 626 para. 2 cif. 1 CO, and in the interest of good governance, the Articles of Association, limit the number of functions in superior management or administrative bodies of legal units other than the Company or its subsidiaries which Members of the Group Executive Management are allowed to hold at one time.

According to article 23 of our Articles of Association, with the approval of the Human Resources & Remuneration Committee, the Members of the Group Executive Management may have the following comparable positions in other undertakings with commercial objects (including their group) which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Group:

- up to 1 mandate as Member of the Board of Directors or any other superior management or administrative body of a publicly traded company pursuant to article 727 para. 1 number 1 CO; and, in addition
- up to 10 mandates as Member of the Board of Directors or any other superior management or administrative body of other legal entities that do not meet the above-mentioned criteria.

With respect to the additional activities of the Members of the Group Executive Management, mandates in companies that are under uniform control or the same beneficial ownership are deemed one mandate.

All Members are within the limits of external mandates stipulated by the Articles of Association.

4.4 MANAGEMENT CONTRACTS

The Board of Directors and the Group Executive Management conduct business directly and have not delegated any management powers to persons or companies outside the Group.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

Information related to compensation, shareholdings and loans are disclosed in the Remuneration Report of this Annual Report in section 4 “Remuneration framework for Board of Directors” and 5 “Remuneration framework for Group Executive Management”.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING RIGHTS, RESTRICTIONS AND REPRESENTATION

Voting rights may be exercised only after a shareholder has been registered in the Share Register as a shareholder with voting rights up to a specific qualifying day designated by the Board of Directors.

Persons acquiring registered shares shall on application be entered in the Share Register without limitation as shareholders with voting rights, provided they expressly declare themselves (i) to have acquired the said shares in their own name and for their own account, (ii) that there is no agreement to take back or return the shares concerned, (iii) that they bear the economic risk associated with the shares and (iv) they comply with the disclosure requirements stipulated by the Federal Act on Financial Market Infrastructure (FMIA).

Entry in the Share Register as a shareholder with voting rights is subject to the approval of the Company. Entry into the Share Register of registered shares as shareholder with voting rights may be refused based on the grounds set forth in article 5 para. 3, 4 and 5 of the Articles of Association.

Until an acquirer becomes a shareholder with voting rights for the shares, she/he may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights. If the Company does not refuse to register the acquirer as shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights. Non-recognized acquirers are entered in the Share Register as shareholders without voting rights. The corresponding shares will be considered as not represented in the shareholders' meeting.

The Company, at its own discretion, may in special cases approve exceptions to the above restrictions. In 2023, no such exemptions were granted. After due consultation with the persons concerned, the Company is further authorized to delete entries in the Share Register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information pursuant to article 5 para. 3 of the Articles of Association. The concerned person has to be immediately informed about the deletion.

Each shareholder may be represented by the Independent Proxy or by means of a written proxy by any other person of such shareholder's choice. The Board of Directors determines the requirements regarding proxies and voting instructions. The Articles of Association do not contain any further specific requirements on the issue of instructions to the Independent Proxy or for the electronic participation at shareholders' meetings; thus, these topics are governed by Swiss law.

In shareholders' meetings, each shareholder has equal rights, including equal voting rights. According to the Articles of Association, each share is entitled to one vote (provided that its holder or usufructuary has been duly entered into the Share Register as a shareholder with voting rights on or before the relevant qualifying date).

Under Swiss laws, the procedure and condition for abolishing voting rights restrictions in the Articles of Association require resolution of a shareholders' meeting passed by at least two thirds of the represented share votes and an absolute majority of the par value of represented shares.

For information on certain limitations on transferability and nominee registrations, please refer to the information provided under the sub-heading 2.6 "Limitations on transferability and nominee registrations" of this report.

6.2 QUORUMS

Pursuant to article 11 of the Articles of Association, shareholders' resolutions generally require the approval of a simple majority of the votes cast at the shareholders' meeting (with abstentions, empty or invalid votes not being taken into account for the calculation of the required majority), to the extent neither the law nor the Articles of Association provide otherwise.

According to article 13 of the Articles of Association, a resolution passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required for (i) matters listed in article 704 of the Swiss Code of Obligations and in articles 18, 43 and 64 of the Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Merger Act), (ii) the easement or abolition of the restriction of the transferability of the registered shares and (iii) any changes to or the removal of article 13 (i.e. qualified majority for important resolutions).

6.3 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS

Under Swiss law, an annual shareholders' meeting must be held within six months after the end of a company's preceding financial year. Shareholders' meetings may be convened by the Board of Directors or, if necessary, by company's statutory auditors or liquidators. According to article 7 para. 3 and 4 of the Articles of Association, the Board of Directors is further required to convene an extraordinary shareholders' meeting within 60 calendar days if requested in writing by shareholder(s) representing at least 5% of the share capital or the votes setting forth the items to be discussed and the proposals to be decided upon.

A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce at least 20 calendar days before the date of the meeting. To the extent the post and/or e-mail addresses of the shareholders are recorded in the share register, notice may be sent by post or e-mail. The notice shall state the date, starting time, the form and location of the meeting, the business to be discussed, the motions of the Board of Directors and a short explanation for these motions, the name and the address of the Independent Proxy.

6.4 INCLUSION OF ITEMS ON THE AGENDA

The Board of Directors sets the items on the agenda.

Registered shareholders with voting rights individually or jointly representing at least 0.5% of the share capital or the votes of the Company may demand items to be placed on the agenda or motions relating to items on the agenda be included in the notice convening the General Meeting. Such demands have to be submitted to the Chairman of the Board of Directors at least 45 calendar days before the date of the annual shareholders' meeting and shall be in writing, specifying the item and the proposals. Shareholders may submit a short explanation together with the agenda items or motions, which must be included in the notice convening the General Meeting.

No resolutions may be passed on motions concerning agenda items which have not been duly announced apart from those exceptions permitted by law.

6.5 ENTRIES IN THE SHARE REGISTER

Voting rights may be exercised only after a shareholder has been registered in the Share Register as a shareholder with voting rights up to a specific qualifying day designated by the Board of Directors (the "Record Date").

There are no statutory rules concerning deadlines for entry in the Share Register. However, for organizational reasons, the Share Register is closed several days before the annual shareholders' meeting. The respective Record Date for inscriptions in the Share Register is announced in the invitation to the Annual General Shareholders' Meeting.

For information on certain limitations on transferability and nominee registrations, please refer to the information provided under the sub-heading 2.6 "Limitations on transferability and nominee registrations" of this report. For information on share voting rights, please refer to the information under the sub-heading 6.1 "Voting rights restrictions and representation" of this report.

7. CHANGE OF CONTROL AND DEFENCE MEASURES

7.1 MANDATORY BID RULES

Pursuant to the applicable provisions of FMIA, any person that acquires shares of a company whose shares are listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, and, as a result, exceeds the threshold of $33^{1}/_{3}$% of the voting rights (whether exercisable or not) of such company, must submit a public tender offer to acquire all of the listed shares of such company. A company's Articles of Association may either waive this requirement entirely ("opting-out") or raise the relevant threshold to up to 49% ("opting-up").

The Articles of Association (article 32) include an opting-out provision and thereby exempt shareholders from the duty to make a mandatory public tender offer pursuant to article 135 FMIA. As a result, anyone, who directly, indirectly or acting in concert with third parties acquires equity securities which, added to the equity securities already owned, exceed the threshold of $33^1/_3$% of the voting rights (whether exercisable or not) of the Company is/are not required to make a mandatory tender offer to the other shareholders. Differently from other companies listed in Switzerland which have no opting-out clause (and no opting-up clause), upon such shareholder or group of shareholders reaching or exceeding the threshold of $33^1/_3$% of the voting rights (whether exercisable or not) of the Company, the shareholders will neither benefit from the option to sell their shares in a mandatory tender offer nor from minority shareholder protection rules related to such mandatory tender offers.

7.2 CHANGES OF CONTROL

There are no changes of control clauses included in agreements and schemes benefiting Members of the Board of Directors or the Group Executive Management or other management of the Group.

8. AUDITORS

The annual shareholders' meeting elects the Group's external auditors on annual basis. Deloitte SA, domiciled in via Ferruccio Pelli 1, 6901 Lugano Switzerland, has served as the Group's auditor since its foundation on November 28, 2018 and was previously the auditor of Medacta International SA since January 21, 2009. On April 27, 2023, Deloitte SA was reappointed as Group and statutory auditor of the Company at the annual shareholders' meeting. The auditor in charge is changed every seven years in accordance with Swiss law. The current auditor in charge is Fabien Lussu, Swiss Certified Public Accountant, who has been carrying out this function since 2018.

The Board of Directors monitors compliance and proposes the election of the external auditor to the annual shareholders' meeting. In accordance to the Organizational Regulations, the Audit and Risk Committee oversees the integrity of the Company's and Group's financial statements, the effectiveness of the internal control over financial reporting of the Company and the Group, the compliance by the Company and the Group with legal and regulatory requirements, annually (or more often as required) reviews the independent auditor's qualification and independence, the performance of the Company's and Group's external auditors, and the effectiveness of the Company's and Group's risk management, compliance and quality assurance systems and processes. On March 15, 2023 the Audit and Risk Committee reviewed and confirmed the independent auditor's qualifications on the basis of the constructive collaboration and good communication and disclosure with the Audit and Risk Committee and the Group's finance department. Deloitte SA presents to the Audit and Risk Committee, on an annual basis, a detailed report on the results of the audit of the Consolidated Financial Statements, the findings on significant accounting and reporting matters, and findings on the internal control system; this deliverable was held at the Board meeting held on March 16, 2023. The results and findings of this report are also discussed in detail with the CFO approximately one week before the Auditor Committee meeting. During 2023, Audit and Risk Committee held three of its meetings with representatives of the external auditor. For more information regarding the Audit and Risk Committee and their meetings which included the auditors, please refer to sub-heading 3.5 "Internal Organizational Structure-Committees and working methods of the Committees - Audit and Risk Committee". Audit fees are ultimately approved by the Audit and Risk Committee.

The worldwide fees paid to the auditors are outlined in the table below:

Worldwide fees (Euro thousand)	31.12.2023	31.12.2022
AUDIT FEES	**528**	**459**
OTHER FEES	**128**	**83**
*Tax**	*90*	*75*
*Other Services***	*38*	*8*
TOTAL FEES	**656**	**542**

* The Tax fees are related to transfer pricing services.

**The Other Services are mostly related to the gap analysis on the ESG report.

9. INFORMATION POLICY

The Company releases its financial results in the form of an Annual Report. Its Annual Report is published in print and electronic form within four months from December 31 balance sheet date. In addition, results for the first half of each fiscal year are released in electronic form within three months from the June 30 balance sheet date. The Company's Annual Report and half year results are announced via press releases and media and investor conferences, both in person and via telephone. Invitations and communications by the Company to the shareholders may, at the discretion of the Board of Directors, be validly made by publication in the Swiss Official Gazette of Commerce, by letter or e-mail to the shareholders' contact details last recorded in the share register. Copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from the Company's website or obtained from the Company upon request at Medacta Group SA, Strada Regina 34, 6874 Castel San Pietro, Switzerland (phone: +41 91 696 6060; email: investor.relations@medacta.ch). Below are certain relevant weblinks:

The Company's website:	http://www.medacta.com
E-mail distribution list (push system):	http://www.medacta.com/EN/investors
Ad-hoc messages (pull system):	http://www.medacta.com/EN/investors
Financial Reports:	http://www.medacta.com/EN/investors
Sustainability Report:	https://www.medacta.com/EN/sustainability
Corporate calendar:	https://www.medacta.com/EN/financial-calendar
Financial calendar:	https://www.medacta.com/EN/financial-calendar

MAY 7, 2024:	Annual General Meeting
JULY 26, 2024:	Publication of 2024 Half-Year Unaudited Top-line Figures
SEPTEMBER 25, 2024:	Publication of 2024 Half-Year results

10. INDEPENDENT PROXY

Pursuant to the CO and the Articles of Association, the annual shareholders' meeting elects the Independent Proxy for a term ending at the conclusion of the next ordinary annual shareholders' meeting. Re-election is possible.

Fulvio Pelli, Lugano, was re-elected as the Independent Proxy of the Company on April 27, 2023.

11. QUIET PERIODS

The Ordinary Blocked Periods start from December 31 until the lapse of one SIX trading day following the public release of the Company's annual results and from June 30 until the lapse of one SIX trading day following the public release of the Company's semi-annual results.

During these Periods, the Blocked employees or persons, meaning the Members of the Board and the Group Executive Management as well as the Group Executive Management's assistants, secretaries and other personal staff of the Company and any other person who may be involved in preparing, analysing, reviewing or communicating financial results of the Company or has access to such information, must not deal in Securities or make respective recommendations to any other person. No exceptions are provided by our policy and no exceptions were granted in the year under review.

The Chairman, the CEO, the CFO or the Responsible Officer (i.e. Compliance Director) may each impose "Extraordinary Blocked Periods" from time to time where they consider it necessary or appropriate, including without limitation where inside information exists or may arise or where restrictions are required or appropriate to comply with regulatory requirements.

Medacta International

REMUNERATION REPORT

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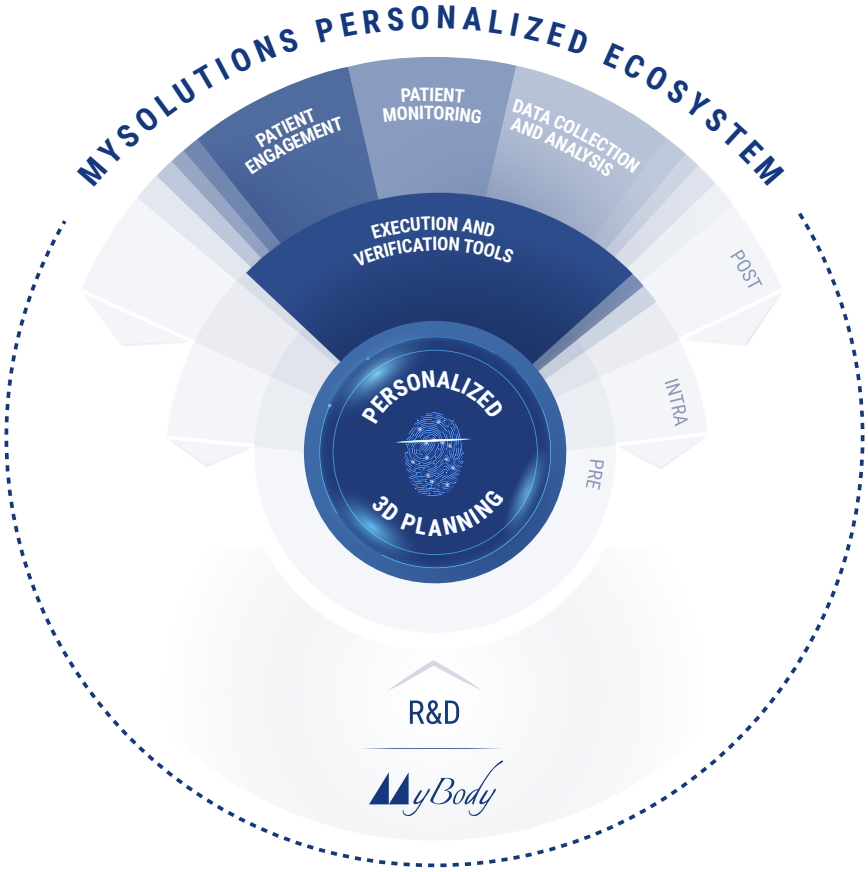
MYSOLUTIONS PERSONALIZED ECOSYSTEM



PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

Support patient education, preparation, rehabilitation, and monitoring, before and after surgery. MySolutions is designed around patient needs and expectations: POP (Patient Optimized Pathway) provides an easy-to-use interactive tool, enabling healthcare professionals to stay connected with their patients.

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

" Our commitment is to align compensation with the company's strategic goals, performance, and shareholder interests, promoting sustainable success for both individuals and the organization as a whole "

Dear Shareholders,

As Chair of the Human Resources and Remuneration Committee, I am pleased to share with you the Medacta Remuneration Report for the Financial Year ending December 31, 2023. This report explains our remuneration system, its governance and how Medacta's 2023 performance affected the variable incentive remuneration to the Group Executive Management team.

In 2023, Medacta enjoyed a successful year, achieving strong financial results across all its objectives despite challenging geopolitical and economic conditions. The company continued to execute its strategy, achieving an impressive top-line growth rate of 19.5% at constant currency compared to the previous year. This expansion enabled us to not only retain all our employee positions worldwide but also to add 193 jobs in critical areas, thereby ensuring the company's ability to execute our value creation strategy. Our global workforce grew by 13%, and our total expenditure on compensation, benefits, and social costs rose by an average of approximately 18%. This increase reflects the hiring of a higher number of experienced staff to strengthen our organization and support sustained growth.

Over the past years, Medacta has demonstrated remarkable resilience and strength, overcoming macroeconomic challenges and achieving notable milestones. In line with our vision for future expansion, we have dedicated some time and effort to strategically evaluate the expansion of our Group Executive Management. This initiative reflects Medacta's commitment to driving innovation, enhancing operational efficiency, and fostering accelerated growth. After assessing different scenarios, we are excited to propose to the Board of Directors the promotion of three seasoned professionals: Massimiliano Bernardoni as Chief Innovation Officer, Giovanni Niccolò Galli as Chief Commercial Officer and Asif Hussain as Chief People Officer.

In the year 2023, the Human Resources and Remuneration Committee dedicated a substantial amount of time to enhance our commitment to the Employer Value Proposition and revitalize our processes related to Talent Management and Learning & Development. Significantly, pivotal decisions were reached to refine our flexible working guidelines, bolster the employee

referral scheme, amplify the impact of the #BeMedacta awards, optimize people metrics, and advance various other strategic initiatives. Concurrently, in 2023, the Headquarters Talent Management Process executed numerous learning and development training programs, initiating the implementation of Personal Development plans. We firmly believe that these proactive measures will fortify our hiring and retention systems, positioning us for sustained success in the future.

In 2023, we engaged in a comprehensive review and collaborative discussion with management to formulate robust and competitive compensation strategies and recognition schemes. Our objective was to cultivate a culture of continual learning and growth among our people, aligning closely with both employee and organizational needs. We made a strategic decision to recommend to the board of directors, who approved a modification to the short-term incentive scheme for the group executive management team. This involved identifying new metrics and adjusting weights to uphold and further fortify the robust connection between pay and performance, aligning the compensation structure more closely with the interests of our shareholders. Furthermore, the committee diligently evaluated the optimal number of Group Executive members to achieve a balance between effective governance, operational efficiency, and strategic agility, supporting the company's sustained growth into the future. Additionally, in 2023, we enhanced the remuneration structure introducing a new cycle of the Long-Term Incentive Plan which was also approved by the Board of Directors in March 2023. This initiative opened doors for both existing and new eligible Medacta employees to actively participate in the Group's future long-term success and prosperity.

As we look ahead, our commitment is to proactively assess and refine our remuneration programs, ensuring their continued relevance in the ever-evolving landscape in which we operate. Our focus remains on maintaining competitiveness to attract and retain top-tier talent, while also recognizing and rewarding individual performance, competence, and desired behaviors in alignment with #BeMedacta values and leadership principles. Recognizing the growing significance of ESG topics to all stakeholders, we acknowledge the integral role they play. As Medacta advances its sustainability targets, the Human Resources and Remuneration Committee will endeavor to further fortifying the correlation between sustainability objectives and the remuneration of Medacta's management.

As always, we encourage and pursue open and regular dialog with our shareholders and their representatives to drive valuable improvements in our compensation system and practices. In accordance with the **Articles of Association**[1], at the annual shareholders' meeting in May 2024, we will ask for approval of the maximum aggregate remuneration amount to be awarded to the Board of Directors for the period until the next annual shareholders' meeting in 2025. In addition, the shareholders will be asked to approve (i) the maximum overall fixed compensation of the Group Executive Management in 2025, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in 2023, and (iii) the maximum overall variable long-term compensation of the Group Executive Management that may be allocated in 2025. Finally, the annual shareholders' meeting will approve the amount of remuneration to Board Members for consulting services in a function other than Board Members until the next annual shareholders' meeting as well as cast a consultative vote on this Remuneration Report.

On behalf of the Board of Directors, I express sincere gratitude for your continued support. This report aims to provide valuable insights, and we are confident that our compensation system consistently rewards performance in a manner that is both balanced and sustainable, closely aligned with the best interests of our shareholders. We eagerly anticipate the ongoing dialogue and collaboration ahead.

Philippe Weber
Chairman of the Human Resources & Remuneration Committee

[1] Medacta's Articles of Association are available on Medacta's website at https://www.medacta.com/EN/corporate-governance?goto=organizational-regulations.

1. INTRODUCTION

This Remuneration Report is in compliance with the Swiss Code of Obligations (CO) art. 732 et seqq (that entered into force on January 1, 2023), Medacta's **Articles of Association** and, with respect to compensation disclosure, to the SIX Exchange Regulation Directive on Corporate Governance and to the Swiss Code of Best Practice for Corporate Governance. We structured this report by first describing the Remuneration Governance of the Group followed by the Remuneration philosophy and principles and the Compensation Framework for Board of Directors and Group Executive Management (GEM). We conclude with reporting the Ownership of Shares and Options, the other compensation-related information under the CO (Audited), the related party compensation and the report of the statutory auditor on the Remuneration Report.

2. REMUNERATION GOVERNANCE

The remuneration landscape at Medacta is mainly structured by the Human Resources & Remuneration Committee (hereinafter referred as either "Human Resources & Remuneration Committee" or "HR & RemCo") as well as the Board of Directors and is approved by the shareholders of Medacta. The overall responsibility for the implementation of the statutory remuneration principles and the remuneration principles set out in the Company's **Articles of Association** lies with the Board of Directors. However, as illustrated in the table below, the Human Resources & Remuneration Committee serves in an advisory capacity for remuneration matters while the Board of Directors retains the ultimate decision authority, all within the limits set by the Annual General Meeting (AGM), which approves the maximum aggregate amounts of remuneration for the Board of Directors and the Group Executive Management at each shareholders' meeting.

	Proposes	Reviews	Approves
Remuneration Principles (Article of Association)	HR & RemCo	Board	AGM
Remuneration Report	HR & RemCo	Board	Board*
			* AGM has a consultive vote
Maximum aggregate amount of remuneration for the Board	HR & RemCo	Board	AGM
Individual remuneration of Board Members	HR & RemCo		Board
Maximum aggregate amount of remuneration (including STIP and LTIP) for GEM	HR & RemCo	Board	AGM
Maximum aggregate amount of remuneration of the CEO	HR & RemCo		Board
Individual remuneration of other GEM Members	HR & RemCo		Board

Shareholders of Swiss listed companies have significant influence on the remuneration of governing bodies and the principles governing remuneration must be defined in a company's articles of association.

The compensation principles outlined below are derived and summarized from Medacta's **Articles of Association**:

- **Approval of remuneration by the AGM (article 12):** the annual shareholders' meeting votes separately and bindingly on the proposals by the Board of Directors regarding the aggregate amounts of (a) the compensation of the Board of Directors for the term of office until the next shareholders' meeting and (b) (i) the maximum overall fixed compensation of the Group Executive Management in the subsequent business year, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in the previous business year, and (iii) the maximum overall variable long-term compensation of the Group Executive Management that may be allocated in the subsequent business year.
- **Principles of remuneration of the Board of Directors (article 25):** the compensation may consist of a fixed base fee (including a lump sum compensation for expenses) paid in cash and/or awarded in shares (depending on the function in the Board of Directors, the number of committee activities and the functions in the committees). In exceptional cases, the Members of the Board of Directors may be awarded performance-related compensation.
- **Principles of remuneration of the Group Executive Management (article 26):** the compensation of the Members of the Group Executive Management may consist of a fixed compensation paid in cash (which consists of a base salary and can also contain other compensation elements and benefits); a variable short-term compensation paid in cash and/or shares; and variable long-term compensation paid in shares or equity-linked rights.
- **Short-term variable compensation and long-term compensation plans (article 26):** the short-term variable compensation is paid in cash and/or shares and depends on the level of achievement of specific pre-defined targets for a one year performance period; the long-term compensation approved by the Board of Directors is intended to incentivize Members of the Group Executive Management, selected key managers and employees to support the long-term performance of the Company and creation of shareholder value.
- **Loans and credits (article 28):** Medacta shall not grant loans, credits, pension benefits other than from occupational pension funds or securities to current or former Members of the Board of Directors or the Group Executive Management[2] or to persons closely associated with them.
- **Agreements related to compensation and maximum contract terms of Group Executive Management (article 24):** the employment agreements of the Members of the Group Executive Management shall in principle be concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. With respect to employment agreements entered into for an indefinite period, the maximum notice period shall not exceed 12 months. Non-competition agreements for the time following termination of an employment contract and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition obligation shall not exceed in total the average of the compensation paid to the respective Member of the Group Executive Management during the last three financial years prior to termination.
- **Additional compensation for new Members of the Group Executive Management (article 29):** if newly appointed Members of the Group Executive Management take office after the annual shareholders' meeting has approved the aggregate maximum amount of compensation of the Members of the Group Executive Management for the next business year, such newly appointed Members may receive an aggregate compensation in each case of up to 30% of the last aggregate amount of compensation for the Group Executive Management approved by the annual shareholders' meeting.
- **Additional services by Members of the Board of Directors (article 25):** the Members of the Board of Directors providing consulting services to the Company or other group companies in a function other than as Members of the Board of Directors may be compensated in cash according to standard market rates subject to approval by the annual shareholders' meeting.

At the AGM 2023, we amended the Medacta Group Articles of Association to reflect the new provisions of the Swiss Corporate law and to further strengthen shareholders' rights. In addition, Medacta's **Organizational Regulations**[3] including the Charter of the Human Resources & Remuneration Committee (in combination with the **Articles of Association**) describe and define the roles and responsibilities of the Human Resources & Remuneration Committee and the Board of Directors.

[2] Advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum amount of CHF 1'000'000 are not subject to this provision.

[3] Medacta's Organizational Regulations (including the charters of the Board Committees) are available on Medacta's website at: https://www.medacta.com/EN/corporate-governance?goto=organizational-regulations.

2.1 ROLE AND ACTIVITIES OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

Medacta's Human Resources & Remuneration Committee is comprised of a minimum of two Members of the Board of Directors who are elected annually and individually by the AGM for a one-year period until the next AGM. The Chairman of the HR & RemCo is appointed by the Board of Directors and is independent.

The 2023 Annual General Meeting (AGM) confirmed Philippe Weber and Riccardo Braglia as respectively Chairman and Member of the HR & RemCo. The Chairman of the Board from time to time attends the HR & RemCo meetings as a non-voting guest; however, he is not present during meetings or parts thereof during which his own performance or remuneration is discussed.

In general, the purpose of the Human Resources & Remuneration Committee is to advise and assist the Board of Directors with regards to compensation-related matters of Medacta with a focus on setting guidelines on remuneration for both Members of the Board of Directors and the Group Executive Management. As a core responsibility, the HR & RemCo makes proposals annually (or more often as required) to the Board of Directors related to the compensation package of the Members of the Group Executive Management and Board of Directors. For a more detailed overview of the Members, working methods and main duties and responsibilities of the HR & RemCo, as well as details regarding their meetings held in 2023, please refer to the sub-heading entitled "Human Resources & Remuneration Committee" in the Corporate Governance Report (section 3.5 "Internal Organizational Structure"), included in this Annual Report.

The HR & RemCo meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings and at least four times per year. The HR & RemCo met four times in 2023 for an average duration of one hour and a half. In all the four HR & RemCo meetings all Members were present, and all were organized in person at Medacta's Swiss corporate offices either in Castel San Pietro or Rancate.

The Chairman of the Human Resources & Remuneration Committee reports to the Board of Directors at the Board meetings following each Human Resources & Remuneration Committee meeting, ensuring that the Board of Directors is kept informed in a timely and appropriate manner of all material matters within the Human Resources & Remuneration Committee's area of responsibility. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Human Resources & Remuneration Committee Member. The Human Resources & Remuneration Committee may invite to meetings and shall communicate periodically with the CEO, the CFO and the Group HR Director, as well as such other persons as the Human Resources & Remuneration Committee deems appropriate, also including external advisors. During Financial Years 2022 and 2023, the Human Resources & Remuneration Committee and selected Medacta's managers appointed by the Human Resources & Remuneration Committee (Group HR Director and Senior Strategic Financial Advisor) worked with HCM International Ltd. as external independent advisor on remuneration matters and on assisting the development of the Long-Term Incentive Plan scheme. HCM International Ltd. does not have any additional mandates at Medacta. Furthermore, the Human Resources & Remuneration Committee regularly holds private sessions with Members of the Group Executive Management, except on those meetings or the part of meetings in which their own performance or remuneration is discussed.

In accordance with the article 19 of the **Articles of Association** and the **Human Resources & Remuneration Committee Charter**, the following topics were discussed during 2023:

Topic	March	May	September	December
Review and Approval of the 2022 Remuneration Report	✔			
Proposals to the Board of Directors regarding the approval of the individual compensation of the Chairman and the other members of the Board of Directors	✔			
Proposals to the Board of Directors regarding the individual compensation (fixed and variable compensation) of the Members of the Group Executive Management	✔			
Long-Term Incentive Plan (LTIP): - LTIP scheme review; - Change of the LTIP regulation; - Performance update; - Execution timing.	✔	✔	✔	✔
Remuneration Report: - set-up of the Report structure - Remuneration Report review	✔			✔
Review of benchmarking peer group and external benchmark for Group Executive Management remuneration				✔
Regulatory updates on cross-border commuters		✔	✔	
Updates on Medacta Employer Value Proposition		✔	✔	
Updates on the implementation of Talent Management and Learning & Development processes		✔	✔	
Review of remuneration principles, strategy and systems		✔	✔	✔
Individual targets and weighting of 2023 variable short-term incentive for the members of the Group Executive Management *	✔			

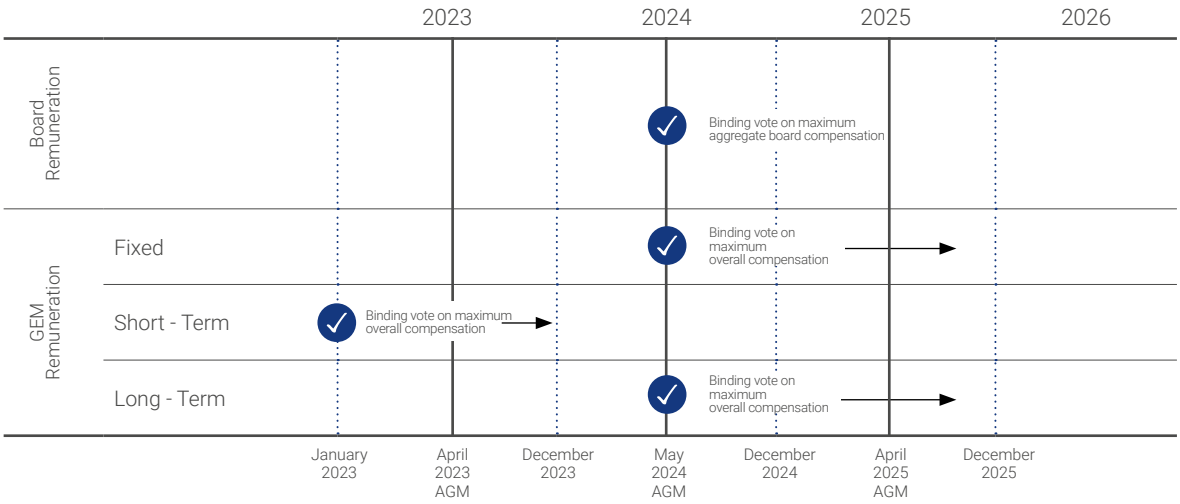
* To be proposed at the AGM 2024 meeting for approval.

2.2 ROLE AND ACTIVITIES OF THE SHAREHOLDERS REGARDING THE AGM

The Board of Directors will submit five separate remuneration-related resolutions for shareholders' approval at the AGM 2024 (as illustrated in Exhibit below):

- the maximum aggregate amount of remuneration of the Board of Directors for the term of office until the next annual shareholders' meeting (i.e. until the next annual shareholders' meeting in 2025);
- the maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2025;
- the maximum overall variable short-term remuneration for the Group Executive Management that may be paid or allocated for the business year ended December 31, 2023;
- the maximum overall variable long-term remuneration of the Group Executive Management that may be allocated in for the business year ending December 31, 2025;
- the amount of remuneration to Members of the Board of Directors for consulting services to the Company or other group companies in a function other than as Members of the Board of Directors, until the next annual shareholders' meeting (i.e. until the next annual shareholders' meeting in 2025).

In addition, the Board of Directors will submit this Remuneration Report to a separate consultative vote for the shareholders at the AGM 2024.



The Board of Directors may present to the annual shareholders' meeting deviating or additional proposals for approval in relation to the same or different time periods.

If the shareholders' meeting does not approve the amount of the proposed fixed and variable compensation, as the case may be, the Board of Directors may either submit new proposals at the same shareholders' meeting, convene a new extraordinary shareholders' meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next annual shareholders' meeting.

At the Annual General Meeting (AGM) 2023, the Board of Directors submitted five separate remuneration-related proposals, which were all approved by the shareholders:

- the maximum aggregate amount of remuneration for the Members of the Board of Directors for the term from the AGM 2023 until the AGM 2024: CHF 1'100 thousand;
- the maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2024: CHF 1'200 thousand;
- the maximum overall short-term remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2022: CHF 1'350 thousand;
- the maximum overall variable long-term remuneration of the Group Executive Management to be allocated in the Financial Year ending December 31, 2024: CHF 800 thousand;
- the maximum aggregate amount for services covered by article 25(3) of the **Articles of Association** (Consulting Services) for the period until the AGM 2024: CHF 150 thousand.

In addition, shareholders approved the FY 2022 Remuneration Report in a consultative vote.

3. REMUNERATION PHILOSOPHY AND PRINCIPLES

Medacta's Human Resources & Remuneration Committee gives careful consideration to the remuneration framework for the Members of the Board of Directors and the Group Executive Management. In order to reflect their different roles, the remuneration of the Board of Directors and the Group Executive Management are designed according to different standards and considerations.

Medacta's remuneration landscape is designed to support the Company's strategic plans and to provide a balance between motivating the Members of the Board of Directors and the Group Executive Management to deliver on the near-

and medium-term objectives of the Group and to strive for future long-term success and prosperity of Medacta at the same time. Medacta's remuneration framework aims to attract, engage and retain the best talent within the MedTech industry as well as to reward loyalty of the employees and, thus, to enhance the value of the Group for the benefit of shareholders as extensively described in our **Code of Business Conduct and Ethics**. Medacta actively promotes diversity and inclusion and a culture of fair and equal treatment of our employees, as described in our **Code of Business Conduct and Ethics**. We are committed to the principle of equal pay for equal work and are taking all necessary steps in our job evaluation to ensure a fair compensation system. In 2022, for the Swiss based legal entities, we conducted the legally required equal pay analysis, confirming Medacta's compliance with the requirements set out in Art. 13d of the Gender Equality Act (GEA) and Art. 7 of the Ordinance on the Examination of the Equal Pay Analysis. The analysis complied with the GEA guidelines as it was validated by Deloitte SA on the analysis methodology and results. The results of the analysis showed no material effect of gender on pay in our Switzerland-based entities.

As a core responsibility, the Human Resources & Remuneration Committee reviews the compensation packages of the Members of the Group Executive Management and Board of Directors annually (or more often as required) and proposes to the Board of Directors any adjustments to the prior year compensations for proposal to the annual shareholders' meeting.

In addition, and with regards to the Group's listing in Switzerland and global scale of business, the Human Resources & Remuneration Committee follows the Swiss governance and compensation landscape while also considering trends across the globe. Conclusively, the aim is to design the remuneration framework taking into account best market practices, alignment with shareholders, and pay-for-performance considerations in order to promote the long-term success of Medacta.

As a base for this work the Human Resources & Remuneration Committee, each year, assesses the compensation packages of similar companies. In 2023, we reflected same peers utilized in 2022 which we believe are more balanced between focus in the orthopedic industry and small to mid-capitalization. To carry out the compensation benchmark the following two groups of companies were analysed in 2023:

- listed companies in the worldwide MedTech Industry[4];
- companies in the Swiss MedTech industry or Healthcare industry with up to 20'000 employees, with an international scope[5].

The exercise revealed that the compensation of the Group Executive Management and Board of Directors are below the average compensation of both Swiss and worldwide MedTech industry benchmark.

3.1 AGREEMENTS RELATED TO COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE MANAGEMENT

According to article 24 of the **Articles of Association**, mandate agreements of the Members of the Board of Directors have a fixed term until the conclusion of the next annual shareholders' meeting. Early termination or removal remains reserved.

The employment agreements of the Members of the Group Executive Management are in principle concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. With respect to employment agreements entered into for an indefinite period, the maximum notice period does not exceed 12 months.

Non-competition agreements for the time following termination of an employment contract and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition obligation may not exceed in total the average of the fixed compensation paid to the respective Member of the Group Executive Management during the last three years. The Group Executive Management agreements contain non-competition clauses. In accordance with article 24 of the **Articles of Association**, the compensation for such non-competition obligation shall not exceed in total the average of the compensation paid to the respective Group Executive Management Member during the last three financial years prior to termination.

[4] Zimmer Biomet, Nuvasive, Alphatec Holdings, Stryker, Globus Medical, based on information disclosed on the publicly available Annual Reports for 2022.
[5] Straumann, Sonova, Medartis, Tecan, Ypsomed, based on information disclosed on the publicly available Annual Reports for 2022.

4. REMUNERATION FRAMEWORK FOR BOARD OF DIRECTORS

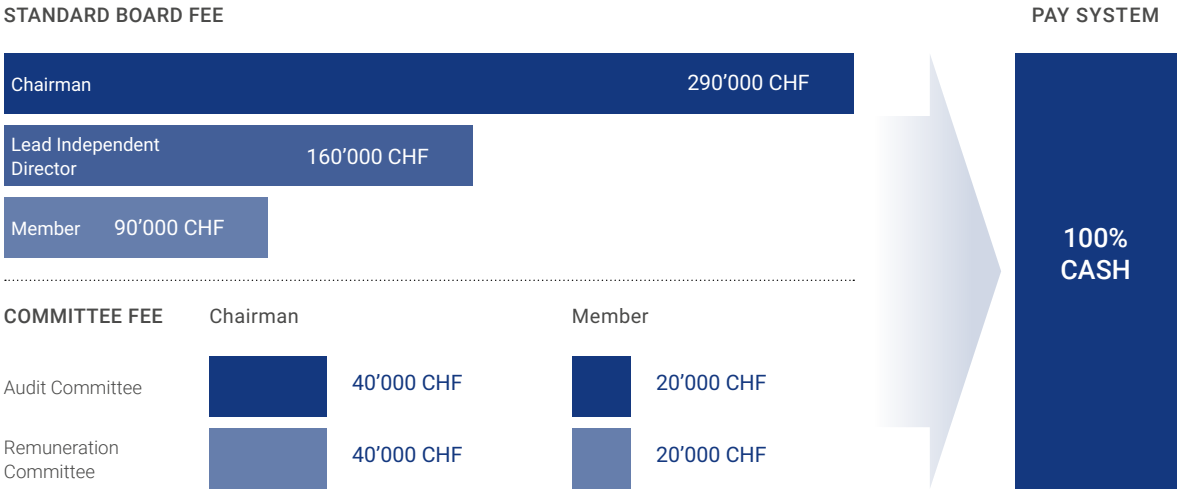
4.1 REMUNERATION APPROACH

According to article 25 of the **Articles of Association**, the compensation of the Members of the Board of Directors is determined by the full Board of Directors based on the proposal of the Human Resources & Remuneration Committee and subject to and within the limits of the aggregate amounts approved by the annual shareholders' meeting.

In order to highlight the independent role of the Members of the Board of Directors in performing their supervisory duties, the entire remuneration of the Board in Financial Year 2023 is fixed and does not include any performance-related component.

The remuneration for the Members of the Board of Directors relates to their term of office, which starts with their election at the AGM and ends at the subsequent AGM. The remuneration consists of a fixed annual base fee and fixed fees for membership in Board Committees, reflecting the time commitment as well as the obligations and responsibilities of the roles, paid monthly in twelve equal instalments. The individual sum of the annual base fee and, where applicable, fixed fees for membership in Board Committees are paid in cash. For the term until the AGM 2024, consistent with the shareholders' approval, Board Members were paid a fixed annual base fee of CHF 90 thousand, with the Chairman receiving CHF 290 thousand. For membership in a Board Committee, Members were paid a fixed fee of CHF 20 thousand, with the respective chairpersons receiving CHF 40 thousand. In addition, in recognition of the extra time commitment associated with the role, the Lead Independent Director received an additional allowance of CHF 70 thousand (for a total amount CHF 160 thousand).

The fees paid to the Board of Directors for the Financial Year 2023 (as indicated on the table in section 4.2 "Remuneration Awarded 2023") are in line with the compensation reflected in the Financial Year 2022.



Members of the Board of Directors are entitled to a reimbursement for the expenses incurred in connection with their Board duties. Furthermore, remuneration of the Members of the Board is subject to social security contributions and is not pensionable. No additional remuneration components such as attendance fees are awarded to the Members of the Board of Directors.

In addition, in accordance with article 25 para. 3 of the **Articles of Association**, the Members of the Board of Directors providing consulting services to the Company or other Group Companies in a function other than as Members of the Board of Directors may be compensated in cash according to standard market rates, subject to approval by the annual shareholders' meeting.

4.2 REMUNERATION AWARDED 2023 (AUDITED)

For the term from the AGM 2023 until the AGM 2024, Medacta's shareholders approved a maximum aggregate amount of remuneration for the Board of Directors of CHF 1'100 thousand. Total remuneration awarded to the Board of Directors during Financial Year 2023 amounted to CHF 931 thousand and represents remuneration for services rendered from January 1, 2023 until December 31, 2023. As compared to FY 2023, the compensation is substantially in line with prior period. The amounts actually paid in 2023 remain within the limits of the amount approved by the shareholders for the same period.

The following tables show remuneration paid to the Members of the Board of Directors from January 1 until December 31, 2023 and 2022:

2023 BoD Compensation

CHF	Role within the Board	Fixed Board fee	Committee fees	Expenses[1]	Social security contribution	Sub-total	Shares	Total
Alberto Siccardi	Chairman	290'000	-	16'000	21'048	327'048	-	327'048
Maria Luisa Siccardi Tonolli	Member	90'000	20'000	8'100	9'684	127'784	-	127'784
Victor Balli	Member	160'000	40'000	553	14'114	214'667	-	214'667
Philippe Weber[2]	Member	90'000	40'000	-	11'445	141'445	-	141'445
Riccardo Braglia	Member	90'000	20'000	-	9'684	119'684	-	119'684
TOTAL ALL MEMBERS		**720'000**	**120'000**	**24'653**	**65'975**	**930'628**	**-**	**930'628**

[1] Out-of-pocket expenses incurred by the Board of Directors are duly reimbursed by the Company with the exception of Dr. Alberto Siccardi and Ms. Maria Luisa Siccardi Tonolli, who are reimbursed with an annual lump-sum of CHF 16 thousand and CHF 8 thousand, respectively. For Mr. Balli the company paid his accomodation to the hotel for the Board meetings.
[2] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to Medacta in 2023.

2022 BoD Compensation

CHF	Role within the Board	Fixed Board fee	Committee fees	Expenses[1]	Social security contribution	Sub-total	Shares	Total
Alberto Siccardi	Chairman	290'000	-	16'000	21'358	327'358	-	327'358
Maria Luisa Siccardi Tonolli	Member	90'000	20'000	8'100	9'811	127'911	-	127'911
Victor Balli	Member	160'000	40'000	-	17'268	217'268	-	217'268
Philippe Weber[2]	Member	90'000	40'000	-	11'595	141'595	-	141'595
Riccardo Braglia	Member	90'000	20'000	-	9'811	119'811	-	119'811
TOTAL ALL MEMBERS		**720'000**	**120'000**	**24'100**	**69'843**	**933'943**	**-**	**933'943**

[1] Out-of-pocket expenses incurred by the Board of Directors are duly reimbursed by the Company with the exception of Dr. Alberto Siccardi and Ms. Maria Luisa Siccardi Tonolli, who are reimbursed with an annual lump-sum of CHF 16 thousand and CHF 8 thousand, respectively.
[2] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to Medacta in 2022.

The reconciliation of approved and dispensed compensation for the AGM 2022-2023 and 2023-2024 period is shown in the table below:

REMUNERATION APPROVED AND PAID/GRANTED FOR THE MEMBERS OF THE BOARD

	Total remuneration granted	Maximum aggregate amount available	Status
2022 AGM to 2023 AGM	CHF 0.9 million*	CHF 1.1 million	Approved 2022 AGM
2023 AGM to 2024 AGM	CHF 0.9 million**	CHF 1.1 million	Approved 2023 AGM

* Calculated for the 5 members of the Board elected in the 2022 AGM to 2023 AGM.
** The amount represents an estimate for the term of office from 2023 AGM to 2024 AGM. The final amount will be disclosed in the 2024 Remuneration Report.

In addition, with reference to article 25 para. 3 of the **Articles of Association**, for the period from the AGM 2022 until AGM 2023, Niederer Kraft Frey AG, where Philippe Weber is a Partner and that, amongst others, acted as legal adviser to Medacta and received fees in the amount of CHF 32 thousand (within the limits of CHF 150 thousand, approved by the AGM 2022). For the period from the AGM 2023 until December 31, 2023, Niederer Kraft Frey AG, acted as legal adviser and received fees in the amount of CHF 10 thousand (so far within the limits of CHF 150 thousand, approved by the AGM 2023).

4.3 LOANS AND CREDITS

In accordance with article 28 of **Articles of Association**, no loans or credits were granted to current or former Members of the Board of Directors or to persons closely associated with current or former Members of the Board of Directors. No such loans or credits were outstanding at December 31, 2023.

In addition, no compensation, which was not at market terms or standards, was paid or granted to persons closely associated with current or former Members of the Board of Directors.

For the related party transactions, refer to Note 6.26 "Related party transactions" of the Financial Report included in this Annual Report.

5. REMUNERATION FRAMEWORK FOR GROUP EXECUTIVE MANAGEMENT

5.1 REMUNERATION APPROACH

Pursuant to article 26 of the **Articles of Association**, the compensation of the Members of the Group Executive Management is determined by the Board of Directors based on the proposal of the Human Resources & Remuneration Committee and subject to and within the limits of the aggregate amounts approved by the annual shareholders' meeting.

The remuneration of the Group Executive Management is comprised of three main elements:

Element	Type of compensation	Form of compensation	Description
Fixed Compensation	Base salary	Cash	- Fixed compensation is determined based on scope and responsibility of the role; qualifications and experience; skill and expertise; - To attract talents, we offer the market value of the role.
Variable Compensation	Short-term incentive	Cash	- Maximum payout potential is dependent on hierarchy level; - Performance are measured against business results and financial targets.
	Long-term incentive	Performance Share Units (PSUs)	- Performance criteria are 50% driven by Relative TSR and 50% by absolute EBIT over three years period; - the combined vesting multiple cannot exceed 200%; - three years vesting period.
Benefits	Pension Plan, insurance and Health Care		- Pension benefits meet the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG); - in line with what industry offers.
	Other benefits		- May include car, phone allowance and other fringe benefits in line with market practices.

FIXED COMPENSATION

ANNUAL BASE SALARY

The annual base salary is the main fixed remuneration component paid to Members of the Group Executive Management. It is paid in cash in thirteen equal monthly instalments. The level of base salary is determined considering the following factors:

- scope and responsibilities of the role;
- qualifications and experience required to perform the role;
- market value of the role; and
- skills and expertise of the individual in the role.

The annual base salaries of the Members of the Group Executive Management are reviewed on a yearly basis considering the above-mentioned factors and adjustments are made according to alterations in the factors under assessment as well as to market developments. Refer to section 3 "Remuneration philosophy and principles" of this report for the benchmarking analysis performed.

VARIABLE COMPENSATION

SHORT-TERM INCENTIVE

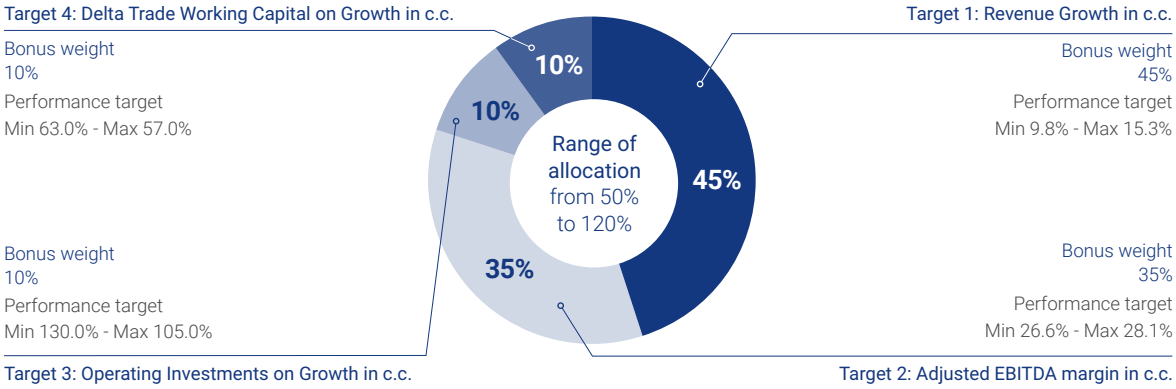
The short-term variable compensation is an annual incentive plan intended to compensate the Group Executive Management for achieving the short-term business strategy, based on company performance achievements and financial targets. In accordance with article 26 of the **Articles of Association**, the short-term variable compensation is paid in cash and depends on the level of achievement of specific pre-defined targets for a one-year performance period.

In March 2023, the Human Resources & Remuneration Committee decided to propose to the Board of Directors the amendment of two out of the four targets of the 2022 short incentive scheme. This modification aims to better reflect the performance metrics by incorporating the amount of Capex and working capital required to stimulate growth. Both targets will now be assessed based on revenue growth in constant currency. The Capex target has been renamed "Operating Investments on Growth" and will solely consider investments in instruments, plant & machineries, and tools & equipment. Notably, land & building and development investments will be excluded from this metric. Similarly, the Trade Working Capital target has been renamed as "Delta Trade Working Capital on Growth" and will be measured on trade working capital investments against revenue growth in constant currency. Also, in 2023 the Human Resources & Remuneration Committee engaged in extensive discussions for a recalibration of the weight assigned to financial targets. The aim was to ensure a closer alignment with shareholders' interests, specifically for the CFO and CSCO positions. On March 16, 2023, the Board of Directors deliberated on the proposed changes.

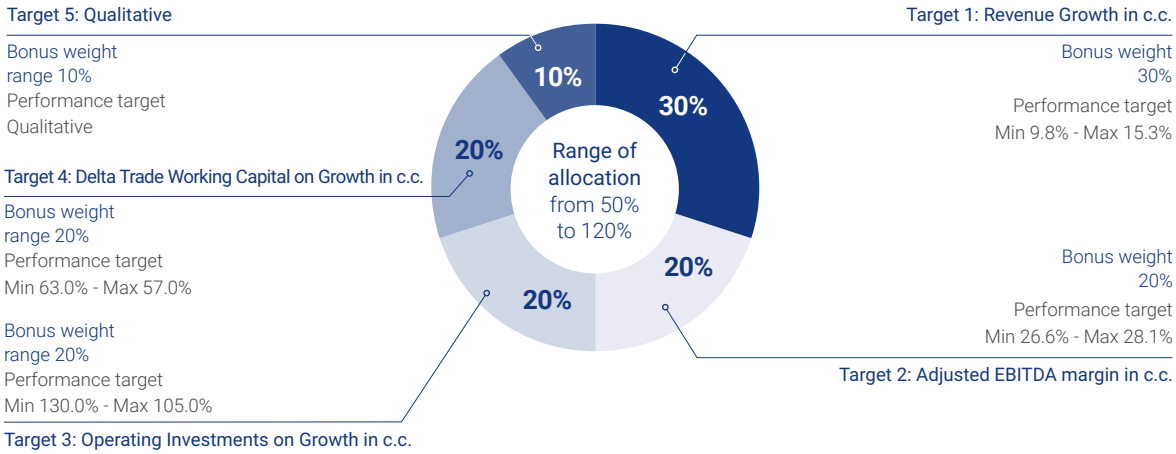
The 2023 short-term variable compensation of the Group Executive Management is determined based on the reaching of the following four financial targets: Revenue Growth in constant currency (c.c.), Adjusted EBITDA Margin in constant currency, Operating Investments and Delta Trade Working Capital on Growth in constant currency. The financial targets are weighted differently for each Member of the Group Executive Management, taking into account position and level of responsibility. Revenue Growth in c.c. target is between 9.8% and 15.3% and weights respectively 45% and 30% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Adjusted EBITDA Margin in c.c. target is between 26.6% and 28.1% and weights respectively 35% and 20% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Operating Investment on Growth in c.c. target is between 130% and 105% and weights 10% and 20% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Delta Trade Working Capital on Growth in c.c. target is between 63% and 57% and weights respectively 10% and 20% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively. In addition, 10% of the short-term variable compensation of the CFO and Chief Supply Chain Officer (CSCO) are determined at the discretion of the Board of Directors, upon recommendation of the CEO and the Human Resources & Remuneration Committee, based on the quality of the performance of their duties (as described in greater detail below). Upon proposal by the Human Resources & Remuneration Committee, the Board of Directors is responsible for the selection and weighting of performance targets during the first quarter of the one-year performance period as well as determining what the maximum short-term compensation can comprise. For FY 2023, the short-term variable remuneration for the Group Executive Management represents 135% of the base salary. The CEO's short-term variable remuneration represents a maximum of 280% of the base salary and for other Members of the Group Executive Management on average 37% of the base salary. This puts a material portion of the Group Executive Management's remuneration at risk, in alignment with shareholders' interests.

The variable short-term compensation for the Members of the Group Executive Management for the Financial Year 2023 was determined by the Board of Directors upon recommendation from the Human Resources & Remuneration Committee on the basis of the below described base and maximum amounts, criteria, weightings and other principles. In order to calibrate the target achievement curve for one plan cycle, a target achievement level is identified in accordance with the overall business plan and the budget for the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other metrics, the previous year's performance level.

CEO



All other members of the GEM



The reaching of the above financial targets is determined by the Board of Directors based on the audited Consolidated Financial Statements of Medacta Group SA for the Financial Year on December 31, 2023.

Regarding targets "Revenue Growth in constant currency" and "Adjusted EBITDA Margin in constant currency": in the event the actual result is (a) below the minimum target, then the respective bonus portion is CHF 0; (b) within the target range linear progression from 0 to maximum bonus; (c) above maximum target maximum bonus. In relation to targets "Operating Investments on Growth" and "Delta Trade Working Capital on Growth": in the event the actual result is (a) above the minimum target the respective bonus portion is CHF 0; (b) within the target range linear progression from 0 to maximum bonus; (c) below maximum target maximum bonus.

As mentioned above, at the discretion of the Board of Directors upon recommendation of the CEO and the Human Resources & Remuneration Committee, it would be possible to raise or to lower the CFO's and CSCO's variable components based on the quality of their performance duties as set in the **Organizational Regulations**.

The qualitative performance represents a maximum of 10% of the CFO's short-term compensation and is primarily based on the performance of:

- defining and implementing the finance strategy of the Group;
- monitoring financial performance against targets, reports the results to the Audit and Risk Committee and the Board of Directors and endorsing these reports in all material respects as to their completeness, reliability and accuracy; and
- having responsibility for ensuring good financial governance.

The qualitative performance represents 10% of the CSCO's short-term compensation and is primarily based on the performance of:

- direct and coordinate all activities involved in purchasing components, raw materials, production supplies, other products, services and aftermarket service parts. Establish and maintain relationships with vendors while continually searching for improved costs, materials, suppliers and processes;
- set strategic direction and support staff in the development, implementation, and execution of supply chain processes in support of business objectives; and
- oversee and maintain relationships with cross-functional teams in all areas related to product to market timeline.

For Financial Year 2023, all of the four approved minimum performance thresholds were exceeded, and the targets were achieved at different levels within their respective target achievement curve. This resulted in an overall short-term compensation proposed payout to the AGM 2024 for the CEO of CHF 1'029 thousand and an overall proposed payout of CHF 202 thousand for the other Members of the Group Executive Management, upon approval by the AGM 2024. This represents 280% for the CEO and on average 37% for the other Members of the Group Executive Management base salary.

Since STI reflects the previous year's performance (i.e. FY 2023), payments will be made in a lump sum cash payment following AGM approval. There are no forfeiture or clawback provisions in relation thereto.

LONG-TERM INCENTIVE

In order to reflect Medacta's positioning as a listed company, reshaping the role and responsibilities of the Members of the Group Executive Management, in accordance with article 26 of the **Articles of Association**, a share and business performance based Long-Term Incentive Plan (LTIP) was implemented. On March 16, 2023, the Board of Directors approved the implementation of the LTIP proposed by the Human Resources & Remuneration Committee, under the Performance Share Plan ("the Plan"), that was open to eligible participants starting in April, 2023. The Board is responsible for administering and executing the Plan and has full power to construe and interpret the Plan, establish and amend rules and regulations for its administration, and perform all other actions relating to the Plan.

Under the LTIP Members of the Group Executive Management, other selected key managers and employees are eligible to participate in the LTIP. A prerequisite for participating in the Plan is an active and ongoing employment (i.e. which is not under notice of termination). The LTIP is designed to provide Members of the Group Executive Management, other selected key managers and employees an opportunity to become shareholders of the Company, to participate in the future long-term success and prosperity of the Group, and to enhance and reward loyalty of the employees. Furthermore, the LTIP is intended to attract, motivate, and retain participants of the plan, and thus, to enhance the value of the Group for the benefit of shareholders.

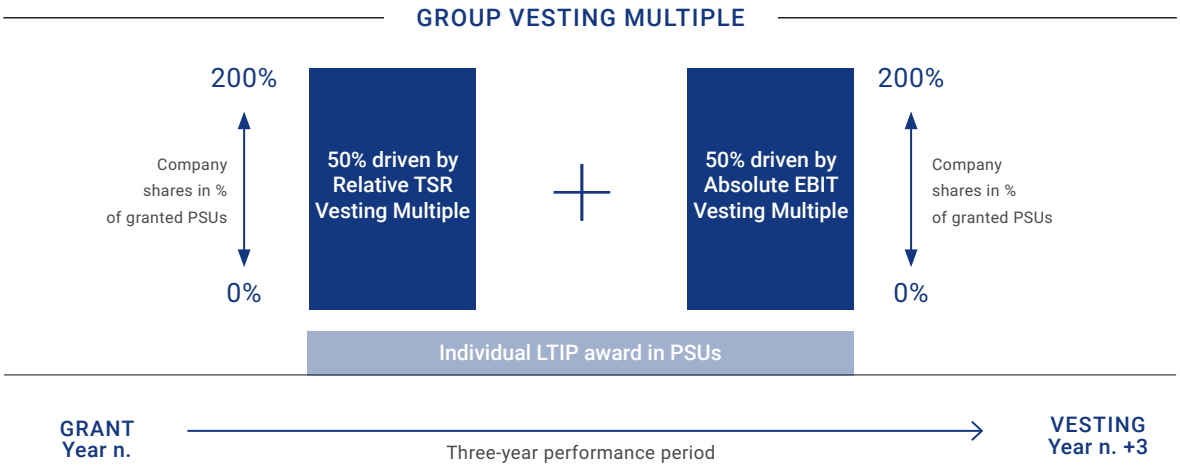
The incentive plan is measured over a rolling three-year performance period with the purpose of fostering long-term value creation for the Group. Eligible plan participants grant a certain number of Performance Share Units (PSUs), which represent a contingent entitlement to receive Medacta shares in the future. The number of granted PSUs is dependent on the individual LTIP grant level, individually determined by the Board of Directors each year based on the individual's performance, the position, complexity of the function, and level of responsibility. For Members of the Group Executive Management, the number of PSUs is subject to the amounts approved at the applicable AGM. In 2023, 27'948 PSUs were granted.

The value of the PSUs granted is determined based on the notion that it should accurately reflect the inherent risk of the underlying instrument. For the 2023 grant fair value, the Group estimates the PSU reference value by using the fair value calculation under the Monte Carlo method that for the 2023 award cycle amounted to CHF 107.83.

The 2023 PSUs grant will vest at the end of the performance period in 2026 and will be converted into shares. The number of PSUs that vest is calculated at the Vesting Date by multiplying the number of granted PSUs by the Final Vesting Multiple, rounded up to the next whole Share. Ultimately, the number of PSUs which vest shall be determined by the Board or a body designated by the Board in a final, conclusive and binding manner. The Final Vesting Multiple equals either Group Vesting Multiple (see description below) or Country Vesting Multiple (see description below), whereas the latter applies if all of the following three conditions are met:

- Group Vesting Multiple is below 0.30;
- the respective Participant is eligible for country performance consideration;
- the country performance threshold has been met for the entire duration of the Plan.

If any of the above conditions is not met, the Final Vesting Multiple equals the Group Vesting Multiple.



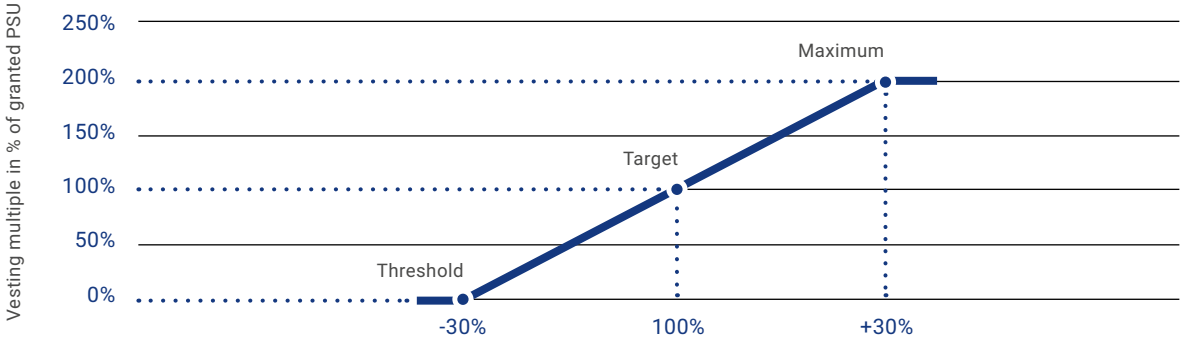
The Group Vesting Multiple is based upon a 50% weighting of the Relative TSR Vesting Multiple and a 50% weighting of the Absolute EBIT Vesting Multiple, rounded off to two decimal places, whereby:

- the Relative TSR Vesting Multiple is calculated as the (positive or negative) difference between Medacta's TSR and the SPI Extra Total Return TSR[6], measured in percentage points (p.p.). Medacta's TSR is measured considering the compound annual growth rate of the Reference Price Ending compared to the Reference Price Beginning over the three (3)-year TSR Performance Period and the accumulative, nominal dividends distributed in the same period. To be consistent with the index, it is assumed that dividends are reinvested. The Relative TSR Vesting Multiple cannot be lower than 0.00 or higher than 2.00, and
- the Absolute EBIT Vesting Multiple is calculated based on the EBIT of the Group measured as the sum of the absolute EBIT over the three (3)-year Absolute EBIT Performance Period and calculated by the Board or a body designated by it, according to the Absolute EBIT Vesting Multiple table. The Absolute EBIT Multiple cannot be lower than 0.00 or higher than 2.00.

The Country Vesting Multiple (if relevant) is calculated based upon a 100% weighting of the respective country's revenues and will be either 0.00 or 0.30. For each country, details with regards to performance measure, performance targets, performance period and performance calculation are set out in the Allotment Certificate.

6 This is the Swiss All Share Index and is excluding the 20 biggest market capitalization companies in the SPI and all companies with a free float of less than 20% or shares of investment companies (192 companies).

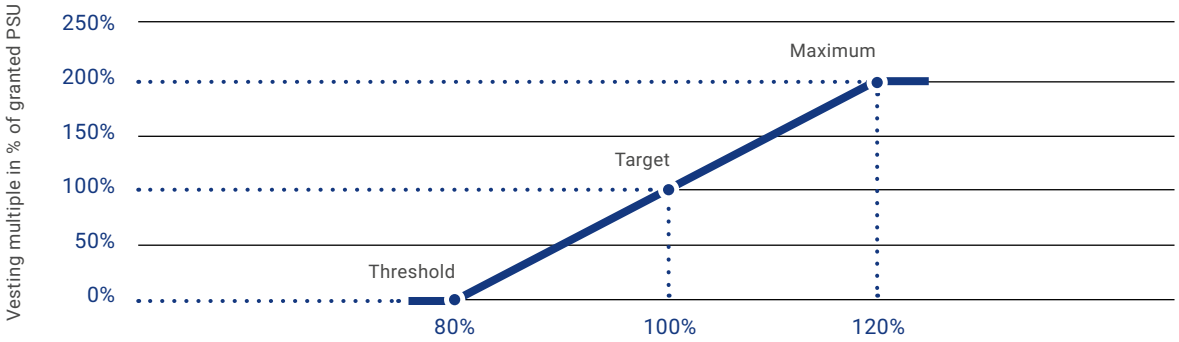
For the FY 2023 grant, 100% of the PSUs linked to the Relative TSR Vesting Multiple will vest, if the Medacta's TSR is equivalent to the SPI Extra Total Return TSR10. The maximum vesting multiple of 200% applies if the Medacta's TSR is 30 or more percentage points above the SPI Extra Total Return TSR. Further, the vesting multiple of 0% applies if Medacta's TSR be 30 or more percentage points below the SPI Extra Total Return TSR. Linear interpolation applies between the threshold, target and maximum performance levels:



Medacta's 3-year Relative TSR vs the SPI Extra TSR

The 2023 Absolute EBIT Vesting Multiple is considered a price-sensitive information and communicating such target may create a competitive disadvantage for Medacta. Therefore, we decide not to disclose any specifics of this target at the time of their setting, but to explain at the end of the performance period the target achievement. In the 2026 Remuneration Report we will explain the target achievement for the 2023 PSUs granted.

If the Absolute EBIT Vesting Multiple target is reached, 100% of the respective PSUs granted will vest. If the Absolute EBIT Vesting Multiple is at or above the maximum performance level, 200% of respective granted PSUs will vest. If the Absolute EBIT Vesting Multiple is at or below the threshold performance level, 0% of PSUs granted under the Absolut EBIT performance will vest. Below an illustration of the Absolute EBIT vesting curve for the 2023 PSUs granted.



Medacta's 3-year Absolute EBIT Performance in % of target

The absolute EBIT targets for each grant are set by the Board of Directors following an assessment conducted by the Human Resources & Remuneration Committee, considering the investor's return expectations on market value, investment projections, current profitability levels. Using statistical analysis we tried to establish an appropriate link between LTIP payouts and the value created for investors.

Overall, the combined vesting multiple is expected to never exceed 200%. If the performance of both Group and Country (if relevant) Vesting Multiple lies below the respective minimum performance threshold, the resulting combined vesting multiple will be 0% and consequently no PSUs vest. In certain circumstances, the termination of employment (e.g. as a result of retirement) or a corporate event (e.g. change of control due to a merger), the number of PSUs that continue to be eligible for vesting shall be adjusted pro rata on a completed monthly basis to reflect the length of service within each award cycle at the relevant termination date. Upon termination of the employment for any other reasons, all unvested PSUs of the participant shall lapse without any compensation.

The Board is entitled, at its sole discretion, to cancel or forfeit all or part of any unvested PSUs or, following vesting of any PSUs, seek repayment from the participant for all or part of any vested PSUs, shares or cash settlements. Those provisions apply in the event of malfeasance, fraud, misconduct, any serious breach of legal or regulatory obligation and/or internal policy of the Group, takes part of conduct which leads or contributes to the Company having restate its financial statements or inaccurate assessment of any performance.

BENEFITS AND PENSION

Members of the Group Executive Management participate in the Company's benefits plans, which mainly consist of retirement, insurance and health care plans designed to provide a reasonable level of protection for the employees and their dependents in the event of retirement, illness/accident, disability or death. Medacta's pension benefits under Swiss contracts meet the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and are in line with what industry offers.

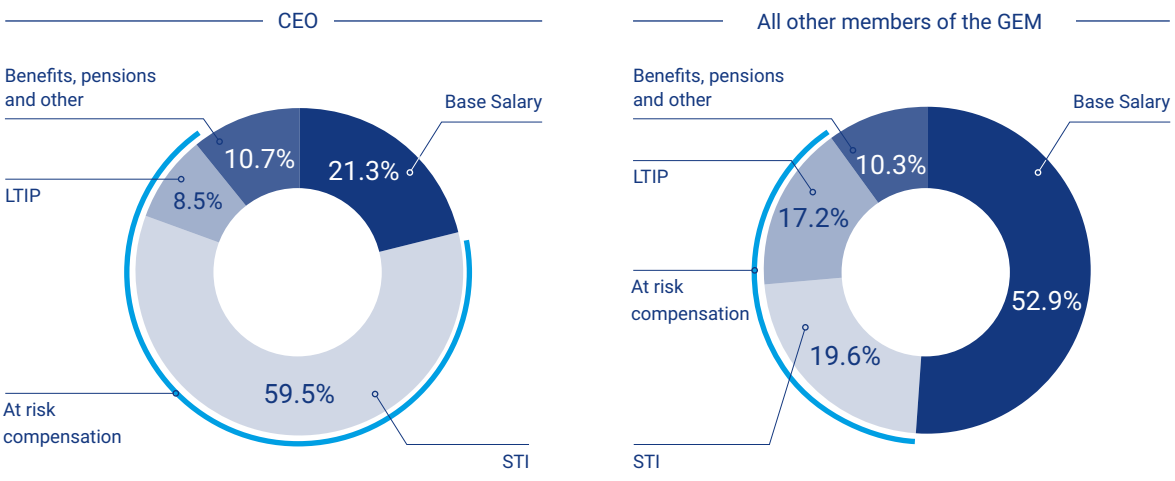
Other benefits may include a car and phone allowance and other fringe benefits that, if any, are disclosed in the remuneration table included in section 5.2 "Remuneration Awarded 2023 (Audited)" of this report. Out-of-pocket expenses incurred by Members of the Group Executive Management in connection with their employment services for Medacta are duly reimbursed by the Company in accordance with the applicable regulations and are not considered to be remuneration subject to approval and, hence, are not further considered in the remuneration tables.

5.2 REMUNERATION AWARDED 2023 (AUDITED)

COMPENSATION MIX

The Human Resources & Remuneration Committee ensures that the Group Executive Management remuneration focuses on pay-for-performance and anchors the strategy of the Group by delivering a substantial portion of remuneration in the form of variable and performance-related incentives. Overall, total variable remuneration of the CEO for the Financial Year 2023 amounted to 68% of his total remuneration, while other Members of the Group Executive Management's total variable remuneration for the Financial Year 2023 ranged from 35% to 38% of the total remuneration, in each case subject to approval of the AGM 2023.

GEM pay mix



The total aggregate amount approved by the annual shareholders' meeting 2022 for the fixed compensation of the Group Executive Management for the Financial Year 2023 amounts to CHF 1'200 thousand. The sum of the total fixed compensation paid to the Group Executive Management (including the CEO) for the relevant period from January 1, 2023 to December 31, 2023 amounts to CHF 1'039 thousand, including CHF 126 thousand of pension and social security contribution. It is thus within the limits of the amount approved by the annual shareholders' meeting for the same period.

Variable compensation for the Members of the Group Executive Management includes the annual short-term incentive (STI) and the Long-Term Incentive Plan (LTIP).

The total aggregate amount of short-term remuneration for 2023 proposed by the Board of Directors to the AGM 2024 for the entire Group Executive Management will be CHF 1'342 thousand, including CHF 111 thousand of pension and social security contribution. The limit of the STI for 2023 for the Group Executive Management will be decided at the 2024 annual shareholders' meeting.

The total aggregate amount approved by the annual shareholders' meeting 2022 for the variable long-term compensation of the Group Executive Management for the Financial Year 2023 amounts to CHF 800 thousand. The LTIP Fair Value at Grant for Financial Year 2023 recognized for the Group Executive Management (including CEO) is equal to CHF 355 thousand, including CHF 32 thousand of pension and social security contribution. It is thus within the limits of the amount approved by the annual shareholders' meeting for the same period. The LTIP at vesting may vary based on performance outcomes and respective share price at the time of vesting.

During Financial Year 2023, the Group Executive Management consisted of three Members, all of them being Members of the Group Executive Management during the entire period. The 2023 Group Executive Management compensation is overall in line with prior period.

The following tables show the total aggregate remuneration, including the proposed short-term compensation and the fair value at grant under the LTIP, for the Members of the Group Executive Management and the highest amount for an individual member (i.e. the CEO), for the period from January 1 to December 31, 2022 and 2023 respectively.

2023 GEM Compensation

CHF	Fixed Compensation	Proposed variable short-term compensation[1]	Fair value at grant under the LTIP[2]	Expenses[3]	Pension & social security contribution[4]	Total
Francesco Siccardi (CEO)	367'950	1'029'372	146'216	22'200	163'107	1'728'845
Other Members of the GEM (aggregated)	545'722	202'234	177'694	600	104'943	1'031'193
Total all Members of the GEM	**913'672**	**1'231'606**	**323'910**	**22'800**	**268'050**	**2'760'038**

[1] Proposal by the Board of Directors to the AGM 2024.
[2] Disclosure reflects the awards for the reporting year, that represents the pro-rata temporis fair value at grant for FY 2023. The LTIP at vesting may vary based on performance outcomes and share price value at the time of vesting.
[3] Out-of-pocket expenses, including car lease, incurred by Mr. Francesco Siccardi are duly reimbursed with an annual lump-sum of CHF 22 thousand.
[4] In 2023 to align the timing of social security reporting to the LTIP grant, we included the pro-rata temporis estimates of social security contributions related to the 2023 LTIP grant made.

2022 GEM Compensation

CHF	Fixed Compensation	Proposed variable short-term compensation[1]	Fair value at grant under the LTIP[2]	Expenses[3]	Pension & social security contribution[4]	Total
Francesco Siccardi (CEO)	367'900	1'050'309	77'896	22'200	149'524	1'667'829
Other Members of the GEM (aggregated)	501'097	140'028	94'665	279	90'198	826'267
Total all Members of the GEM	**868'997**	**1'190'337**	**172'561**	**22'479**	**239'722**	**2'494'096**

[1] Proposal by the Board of Directors to the AGM 2023.
[2] Disclosure reflects the awards for the reporting year, that represents the pro-rata temporis fair value at grant for FY 2022. The LTIP at vesting may vary based on performance outcomes and share price value at the time of vesting.
[3] Out-of-pocket expenses, including car lease, incurred by Mr. Francesco Siccardi are duly reimbursed with an annual lump-sum of CHF 22 thousand.
[4] In 2022 to align the timing of social security reporting to the LTIP grant, we included the pro-rata temporis estimates of social security contributions related to the 2022 LTIP grant made.

5.3 LOANS AND CREDITS

In accordance with article 28 of the **Articles of Association**, no loans or credits were granted to current or former Members of the Group Executive Management or to persons closely associated with current or former Members of the Group Executive Management. No such loans or credits were outstanding at December 31, 2023.

In addition, no compensation, which was not at market terms or standards, was paid or granted to persons closely associated with current or former Members of the Group Executive Management.

For the related party transactions, refer to Note 6.26 "Related party transactions" of the Financial Report included in this Annual Report.

6. OWNERSHIP OF SHARES AND OPTIONS

As of December 31, 2023, there were no outstanding options to acquire shares in the Company. The following tables show the number of shares held by Board of Directors and Group Executive Management as of December 31, 2023:

SHARES HELD BY MEMBERS OF THE BOARD (AUDITED)

Board Members	Role	Shares held as at December 31, 2023	Shares held as at December 31, 2022
Alberto Siccardi	Chairman	2'031'710	2'031'710
Maria Luisa Siccardi Tonolli	Member	3'946'273	3'946'273
Victor Balli	Lead Independent Director	2'500	1'500
Philippe Weber	Independent Director	-	-
Riccardo Braglia	Independent Director	32'640	43'500

SHARES HELD BY MEMBERS OF THE GEM (AUDITED)

GEM Members	Role	Shares held as at December 31, 2023	Shares held as at December 31, 2022
Francesco Siccardi	Chief Executive Officer	3'965'672	3'965'672
Corrado Farsetta	Chief Financial Officer	-	-
Alessandro Siccardi	Chief Supply Chain Director	3'946'273	3'946'273

7. OTHER REMUNERATION-RELATED INFORMATION UNDER CO (AUDITED)

For the reporting period, no compensation other than described herein was paid or granted to Members of the Board of Directors and the Group Executive Management.

With respect to external mandates and other activities reference is made to the comprehensive disclosure in the Corporate Governance section of this Annual Report (see section 3.1 Board of Directors and 4.1 Group Executive Management).

8. RELATED PARTY COMPENSATION

Members of the Board of Directors and of the Group Executive Management who have received consultancy fees for services rendered are reported in the 2023 Financial Report (Note 6.26 "Related party transactions"), enclosed in this Annual Report. For the Remuneration paid to the Board of Directors, refer to section 4.2 "Remuneration Awarded 2023 (audited)" of this Remuneration Report.

9. REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

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Report on the Audit of the Remuneration Report according to Art. 734a-734f CO

REPORT OF THE STATUTORY AUDITOR
To the General Meeting of Medacta Group SA, Castel San Pietro

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Medacta Group SA (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the in the sections 4.2, 5.2, 6, and 7 labelled "audited" on pages 101, 102, 108, 109 and 110 of the Remuneration Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the remuneration report complies with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibility for the Audit of the Remuneration Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

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

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Remuneration Report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also charged with structuring the remuneration principles and specifying the individual remuneration components.

Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors and/or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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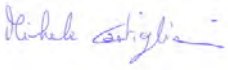
We also provide the Board of Directors and/or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Deloitte SA



Fabien Lussu
Licensed audit expert
Auditor in Charge

Michele Castiglioni
Licensed audit expert

Lugano, 12 March 2024
FL/MC/cb

M.O.R.E.
INSTITUTE

THE SURGEON IS NEVER ALONE
WHEN DISCOVERING NEW TECHNOLOGIES

Medacta International

FINANCIAL REPORT

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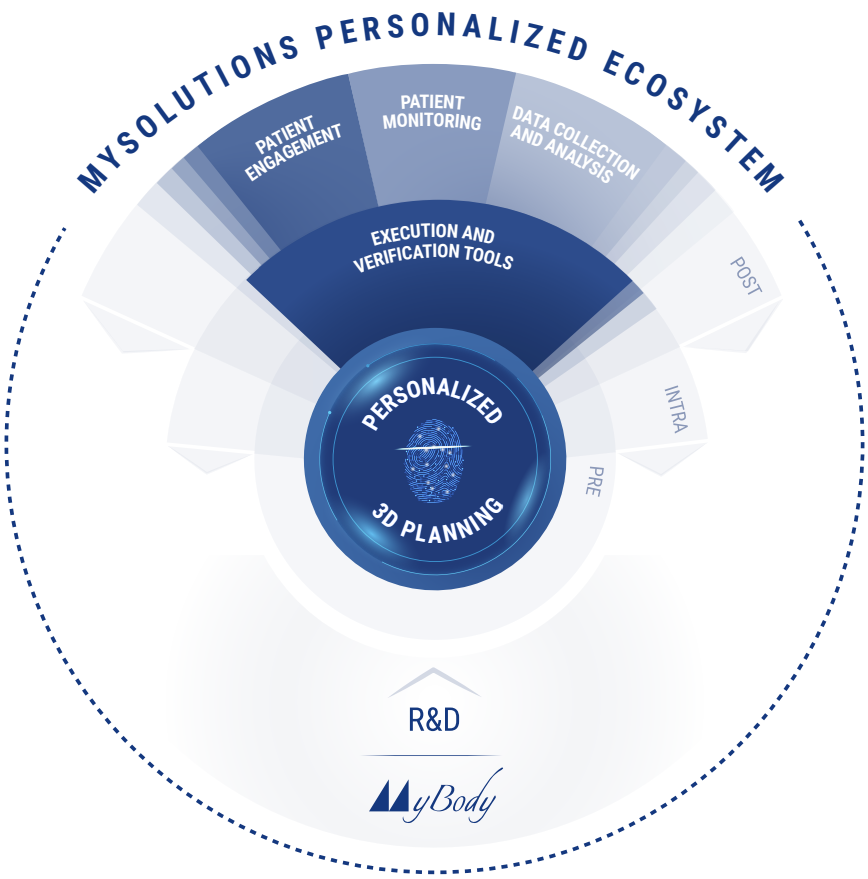
MYSOLUTIONS PERSONALIZED ECOSYSTEM



PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

Streamlining the reproducibility of surgical procedures, supporting the surgeon practice, and facilitating the adoption of innovative technologies, while improving patient well-being and reducing surgical costs. Healthcare sustainability is at the heart of our vision and is always supported by our exceptional dedication to innovation and medical education.

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Thousand Euro)	Notes	31.12.2023	31.12.2022
Revenues	6.24.1	510'778	437'122
Cost of Sales		(162'931)	(131'866)
GROSS PROFIT		**347'847**	**305'256**
Research and Development expenses	6.24.2	(20'318)	(16'223)
Sales and Marketing expenses		(186'671)	(159'594)
General and Administrative expenses	6.24.2	(67'332)	(65'447)
Other income	6.24.3	2'150	1'570
Other expenses	6.24.3	(1'233)	(4'098)
OPERATING PROFIT (EBIT)		**74'443**	**61'464**
Financial income	6.24.4	7'916	2'831
Financial costs	6.24.4	(23'633)	(9'503)
PROFIT BEFORE TAXES		**58'726**	**54'792**
Income taxes	6.11	(11'364)	(8'543)
PROFIT FOR THE YEAR		**47'362**	**46'249**
ATTRIBUTABLE TO			
Shareholders of the parent company	6.27	47'362	46'249
BASIC EARNINGS PER SHARE	6.27	**2.37**	**2.32**
DILUTED EARNINGS PER SHARE	6.27	**2.37**	**2.31**

The Notes are an integral part of the Consolidated Financial Statements

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Thousand Euro)	Notes	31.12.2023	31.12.2022
PROFIT FOR THE YEAR		**47'362**	**46'249**
OTHER COMPREHENSIVE INCOME			
Remeasurements of defined benefit obligations	6.19	(2'148)	4'915
Tax effect on remeasurements of defined benefit obligations		372	(852)
TOTAL ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(1'776)**	**4'063**
Currency translation differences		22'382	10'112
TOTAL ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**22'382**	**10'112**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**20'606**	**14'175**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**67'968**	**60'424**
ATTRIBUTABLE TO			
Shareholders of the parent company		67'968	60'424

The Notes are an integral part of the Consolidated Financial Statements

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

ASSETS

(Thousand Euro)	Notes	31.12.2023	31.12.2022
Property, plant and equipment	6.7	222'942	188'235
Right-of-use assets	6.8	44'397	30'264
Intangible assets	6.9	51'417	50'188
Non-current financial assets	6.10	712	481
Deferred tax assets	6.11	27'936	31'659
TOTAL NON-CURRENT ASSETS		**347'404**	**300'827**
Inventories	6.12	213'924	160'301
Trade receivables	6.13	94'651	77'957
Current financial assets	6.10	7'051	802
Other current assets and prepaid expenses	6.14	12'049	12'340
Cash and cash equivalents	6.15	20'792	32'261
TOTAL CURRENT ASSETS		**348'467**	**283'661**
TOTAL ASSETS		**695'871**	**584'488**

LIABILITIES AND EQUITY

(Thousand Euro)	Notes	31.12.2023	31.12.2022
Share capital	6.16	1'775	1'775
Capital contribution reserve	6.16	10'491	16'018
Retained earnings and other reserves	6.16	282'316	239'877
Treasury shares	6.16	(8'070)	(4'159)
Foreign currency translation reserve	6.16	43'526	21'144
TOTAL EQUITY		**330'038**	**274'655**
Non-current financial liabilities	6.17	116'087	137'592
Non-current lease liabilities	6.17	32'139	21'371
Non-current provisions	6.18	3'942	3'678
Employee benefit obligation	6.19	12'580	8'862
Deferred tax liabilities	6.11	48'699	44'619
Other non-current liabilities	6.21	2'965	4'649
TOTAL NON-CURRENT LIABILITIES		**216'412**	**220'771**
Trade payables	6.22	38'851	28'480
Current financial liabilities	6.17	46'924	7'091
Current lease liabilities	6.17	8'613	6'362
Current provisions	6.18	120	120
Accrued expenses and deferred income	6.23	40'161	31'494
Other current liabilities	6.21	14'752	15'515
TOTAL CURRENT LIABILITIES		**149'421**	**89'062**
TOTAL LIABILITIES		**365'833**	**309'833**
TOTAL LIABILITIES AND EQUITY		**695'871**	**584'488**

The Notes are an integral part of the Consolidated Financial Statements

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Attributable to shareholders of Medacta Group SA

(Thousand Euro)	Share capital	Capital Contribution Reserve	Retained earnings and other reserves	Treasury shares	Foreign currency translation reserve	Total equity
BALANCE JANUARY 1, 2023	**1'775**	**16'018**	**239'877**	**(4'159)**	**21'144**	**274'655**
Profit for the year	-	-	47'362	-	-	47'362
Remeasurements of defined benefit obligations	-	-	(2'148)	-	-	(2'148)
Tax effect on remeasurements of defined benefit obligations	-	-	372	-	-	372
Currency translation differences	-	-	-	-	22'382	22'382
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**45'586**	**-**	**22'382**	**67'968**
Dividends paid	-	(5'527)	(5'527)	-	-	(11'054)
Purchase of treasury shares	-	-	-	(3'911)	-	(3'911)
Share-based payment transactions	-	-	2'380	-	-	2'380
BALANCE DECEMBER 31, 2023	**1'775**	**10'491**	**282'316**	**(8'070)**	**43'526**	**330'038**

Attributable to shareholders of Medacta Group SA

(Thousand Euro)	Share capital	Capital Contribution Reserve	Retained earnings and other reserves	Treasury shares	Foreign currency translation reserve	Total equity
BALANCE JANUARY 1, 2022	**1'775**	**21'227**	**193'605**	**(1'242)**	**11'032**	**226'397**
Profit for the year	-	-	46'249	-	-	46'249
Remeasurements of defined benefit obligations	-	-	4'915	-	-	4'915
Tax effect on remeasurements of defined benefit obligations	-	-	(852)	-	-	(852)
Currency translation differences	-	-	-	-	10'112	10'112
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**50'312**	**-**	**10'112**	**60'424**
Dividends paid	-	(5'209)	(5'209)	-	-	(10'418)
Purchase of treasury shares	-	-	-	(2'917)	-	(2'917)
Share-based payment transactions	-	-	1'169	-	-	1'169
BALANCE DECEMBER 31, 2022	**1'775**	**16'018**	**239'877**	**(4'159)**	**21'144**	**274'655**

The Notes are an integral part of the Consolidated Financial Statements

5. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Thousand Euro)	Notes	31.12.2023	31.12.2022
PROFIT FOR THE YEAR		**47'362**	**46'249**
Adjustments for:			
Income taxes	6.11	11'364	8'543
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	6.24.2	58'442	51'510
(Gain) / loss on disposal of tangible and intangible assets		(140)	(22)
Foreign exchange result		5'228	3'183
Interest expenses		5'658	2'664
Change in Provisions and employee benefit obligation	6.12; 6.13 ; 6.18 ; 6.19	5'556	10'080
Share-based payments expense	6.20	2'312	1'148
Income taxes paid		(8'778)	(8'343)
Interest paid		(5'782)	(2'304)
(Increase) / decrease in trade receivables		(19'176)	(17'738)
(Increase) / decrease in other assets and prepaid expenses		(1'068)	505
(Increase) / decrease in inventories		(44'090)	(20'781)
Increase / (decrease) in trade payables		8'472	1'432
Increase / (decrease) in other liabilities and accruals		9'767	(2'616)
CASH FLOW FROM OPERATING ACTIVITIES		**75'127**	**73'510**
Purchase of tangible assets	6.7	(71'239)	(63'158)
Purchase of intangible assets *		(10'981)	(8'103)
Proceeds from disposal of tangible assets		7'079	6'383
Cash consideration for acquisitions, net of cash acquired	6.9	-	(220)
Investments in financial assets	6.10	(5'465)	(8)
CASH FLOW FROM INVESTING ACTIVITIES		**(80'606)**	**(65'106)**
Proceeds from borrowings	6.17	30'476	59'161
Repayment of borrowings	6.17	(16'816)	(35'242)
Repayment of lease liabilities	6.17	(8'825)	(7'146)
Dividends paid	6.16	(11'054)	(10'418)
Purchase of treasury shares	6.16	(3'911)	(2'917)
CASH FLOW FROM FINANCING ACTIVITIES		**(10'130)**	**3'438**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(15'609)**	**11'842**
Cash and cash equivalents at the beginning of the year	6.15	32'261	20'404
Net effect of currency translation on cash and cash equivalent		4'140	15
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6.15	**20'792**	**32'261**

* "Purchase of intangible assets" excludes unpaid acquisitions of development costs and customer list.

The Notes are an integral part of the Consolidated Financial Statements

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

STATEMENT OF COMPLIANCE

The Consolidated Financial Statements as of December 31, 2023 have been prepared in accordance with the International Financial Reporting Standards (hereinafter also "IFRS") as issued by the International Accounting Standards Board (IASB).

The principles and standards utilised in preparing these Consolidated Financial Statements have been consistently applied through all periods presented, with the exception of the new standards and interpretations that are effective for reporting periods beginning on and after January 1, 2024, as disclosed in Note 6.3 "New accounting and International Financial Reporting Standards".

These Consolidated Financial Statements are composed of a Consolidated Statement of Profit or Loss, a Consolidated Statement of Comprehensive Income, a Consolidated Statement of Financial Position, a Consolidated Statement of Changes in Equity, a Consolidated Statement of Cash Flows and the related Notes to the Consolidated Financial Statements.

In the Consolidated Profit or Loss, the Group presents operational expenses by function. The Group presents current and non-current assets and current and non-current liabilities as separate classifications in its Consolidated Statement of Financial Position. This presentation of the Consolidated Statement of Profit or Loss and of the Consolidated Statement of Financial Position is believed to provide the most relevant information.

The Consolidated Statement of Cash Flows from operating activities was prepared and presented utilising the indirect method and cash flows from investing and financing activities were prepared and presented utilising the direct method. The Consolidated Statement of Cash Flows includes actual inflows and outflows of cash and cash equivalents only; accordingly, it excludes all transactions that do not directly affect cash receipts and payments. The reason for excluding non-cash transactions in the Statement of Cash Flows and placing them within disclosures keeps the statement's primary focus on cash flows from operating, investing, and financing activities in the original state so that users of financial statements can fully understand the importance of what this financial statement does. An example of non-cash transactions, as mentioned in IAS 7, is the acquisition of assets by assuming directly related liabilities or by means of a lease.

BASIS OF MEASUREMENT

These Consolidated Financial Statements have been prepared using the historical cost convention, with the exception of certain financial assets and liabilities for which measurement at fair value is required (see Note 6.5 "Fair value measurement and classification").

These Consolidated Financial Statements have been prepared on a going concern basis. 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 (see also considerations reported in Note 6.1 "Significant events and transactions", paragraph "Macroeconomic environment").

PRESENTATION CURRENCY

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.

CHANGE IN PRESENTATION OF TREASURY SHARES

During the year, the Group decided to disclose the item "Treasury Shares" separately from "Retained earnings and Other reserves" in the Consolidated Statement of Financial Position in order to provide more detail concerning the composition of the Group's Equity.

The amount reclassified is equal to Euro 8'070 thousand as of December 31, 2023 and Euro 4'159 thousand as of December 31, 2022.

USE OF ESTIMATES AND JUDGEMENTS

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 Consolidated Statement of Financial Position and recognition of revenue and expenses in the Consolidated Statement of Profit or Loss, and the disclosures included in the Notes of the Consolidated Financial Statements.

The most significant accounting principles which require a higher degree of judgement 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 impact the initial evaluation.
- 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"). Management uses its judgement, based on facts and circumstances of each development project, to assess whether the conditions of IAS 38 par. 57 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 estimation uncertainty are the following:

- Impairment test for intangible assets – The Group owns intangible assets mainly represented by internal capitalised development costs, trademarks and customer lists acquired through business combination. Capitalised development costs are reviewed on a regular basis and the Group determines annually, in accordance with the accounting policy, whether any of the assets should be tested for impairment. In-process development capitalised costs are tested for impairment at least annually. For the impairment tests, estimates are made on the expected future cash flows from the use of the asset or cash-generating unit. The actual cash flows could vary significantly from these estimates. A sensitivity analysis was performed to review the impact of reasonably possible changes in key assumptions (see Note 6.9 "Intangible assets", paragraph "Impairment test for intangible assets").
- Deferred tax assets – The consolidated balance sheet includes deferred tax assets related to deductible differences and, in certain cases, tax losses carried forward, provided that their utilisation has been determined to be probable. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods. Estimates of future taxable income are subject to change due to both markets and government related uncertainties, as well as Medacta's own future decisions.
- Valuation of inventories – The orthopedic market, in which the Group operates, typically requires a high level of inventories, some of which are located at customer premises and are available for immediate use, including large and small sizes that are used less frequently than standard sizes and may generate excess inventory towards the end of the product life cycle. Inventories are periodically assessed and written down if their net realisable value is less than their carrying amount, including adjustments to reflect the situation described above. Write-downs for obsolescence or slow moving are calculated based on management's assumptions and judgements derived from

experience and historical results. As of December 31, 2023, management has not changed the key assumptions underlying the calculation methodology. The provision for slow moving, discontinued and obsolete inventory is not considered to have a range of potential outcomes that is significantly different to the write-downs to net realisable value recognised in "Cost of Sales" as of December 31, 2023 (see Note 6.12 "Inventories"). The provision has a high degree of estimation uncertainty, depending on the range of products and sizes, on new customers acquisitions and on the achievement of target sales and procurement needs.

- Pension plans – The Group participates in pension plans in various countries. The present value of pension liabilities is determined using actuarial techniques and certain assumptions. These assumptions include the discount rate, the expected return on plan assets, the rates of future compensation increase, and rates related to mortality and resignations. Any change in the above-mentioned assumptions could result in significant effects on the employee benefit liabilities. The sensitivity analysis related to the changes in the assumptions is reported in Note 6.19 "Employee benefit obligation".
- Legal and other contingencies – The Group is involved in various ongoing proceedings, legal actions and claims subject to a significant degree of estimation. Provision is recognised for lost contingencies when it is considered probable that an adverse outcome will occur, and the amount of the loss can be reasonably estimated. Management, in making its estimates, takes into account the advice of internal and external legal counsel. The recognised provisions are reviewed regularly, and balances are updated where necessary to reflect developments in the disputes. See Note 6.25 "Litigations" for further details.

6.1 SIGNIFICANT EVENTS AND TRANSACTIONS

MACROECONOMIC ENVIRONMENT

The year 2023 was marked by significant macroeconomic challenges and geopolitical tensions, exerting considerable strain on healthcare systems worldwide and prompting substantial policy adjustments. These evolving circumstances are likely to influence inflation, disrupt global supply chains, create labour shortages, counteract post-pandemic stabilisation efforts, and increase other macroeconomic pressures, which are expected to persist.

From a geopolitical perspective, the military conflict between Russia and Ukraine has led to the imposition of sanctions, causing notable fluctuations and disturbances in global markets. Nevertheless, our exposure to these disruptions is minimal. In 2023, our operations did not generate any sales in Russia, and our activities in Ukraine resulted in revenues of only Euro 1.4 million, compared to Euro 1.1 million in the previous year. Starting from the second quarter of 2022, we ceased initiating new business engagements, either directly or through distributors, in both Russia and Ukraine. Our assets in these countries are negligible, apart from Euro 0.4 million in receivables from Ukrainian clients, which were fully written off in 2023. We are also diligently observing the military conflict between Israel and Palestine. In 2023, sales through our distributor in Israel amounted to Euro 2.4 million. Our consolidated assets in the region are insignificant, apart from Euro 0.2 million in trade receivables from our Israeli client.

The conflicts continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents and 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 proactively minimise the potential for impact on our performance. Our 2023 profitability was partially influenced by the inflationary factors, which we expect to stabilise in 2024. Also, if the war expands beyond Ukraine or further intensifies, it could have an adverse impact on our operations in Europe. To significantly strengthen our internal measures for the protection of our data, systems, and products against cyberattacks, we have executed a dedicated cybersecurity project with third-party expertise. The program has involved the appointment of a Cybersecurity Manager, increased penetration testing, and the creation of a Security Operation Center for 24h 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 routine training and awareness sessions dedicated to cyber security have been executed across our Group employees.

Higher interest rates and capital costs, increased costs of labour 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 current macroeconomic environment in the year-end economic performance, as of December 31, 2023, there are no observable indicators that Medacta asset values may be impaired. External sources of information such as adverse effects on market interest rates, market capitalisation and market development have shown only a temporary impact. Internal assessments indicate that mid and long-term fundamentals respective to our expected economic performance have not changed.

NEW EU REGULATION ON MEDICAL DEVICES (MDR)

The EU 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 replaced the Medical 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 was introduced in 2017 there was a transitional period for companies to fully comply. From a financial and reporting perspective the EU MDR can have material impact through increased time to market for new devices on the EU market and a potential increase in the need for pre-CE clinical trials.

Under the MDR, all medical devices CE certified to Directive 93/42/EEC must be resubmitted for CE certification to the MDR. All the registration costs incurred by Medacta for the transition are expensed in the Research and Development line item. As of December 31, 2023, the costs incurred relating these activities amounted to Euro 753 thousand (Euro 627 thousand in 2022).

6.2 CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES

SUBSIDIARIES

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Changes in the ownership interest of a subsidiary that do not result in a loss of control will be accounted for as an equity transaction. Hence, neither goodwill nor any gain or loss will result.

In business combinations achieved in stages, the Group remeasures its previously held equity investment in the acquiree at its acquisition date fair value and recognises the resulting gain or loss in the Consolidated Statement of Profit or Loss as "Other income" or "Other expenses".

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method.

The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at either fair value or the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity investment in the acquiree over the fair value of the Group's share of the identifiable assets acquired and liabilities and contingent liabilities assumed is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the Group makes a new assessment of the identifiable assets and liabilities and contingent liabilities assumed and any residual difference is recognised directly in the Consolidated Statement of Profit or Loss.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

The Consolidated Financial Statements include the consolidated financial information of the Medacta Group entities. All intercompany balances and transactions within the Consolidated Financials are eliminated. The Group accounts for the elimination of the unrealised profits resulting from intercompany transactions. These transactions relate to the sales from the Group entities which have not been realised externally.

TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The Group records transactions denominated in foreign currency in accordance with IAS 21—The Effect of Changes in Foreign Exchange Rates.

The results arising from the Profit or Loss and from the Financial Position Statements of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation one are translated into the presentation currency as follows:

- all items related to each Statement of Financial Position are translated at the closing exchange rates;
- all items related to each Statement of Profit or Loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- exchange differences arising are recognised in Other Comprehensive Income and accumulated in a foreign exchange translation reserve.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

The exchange rates used in translating the results of foreign operations are reported in Note 6.31 "Exchange rates used to translate financial statements prepared in currencies other than Euro".

COMPOSITION OF THE GROUP

Entities included in the scope of consolidation are listed below:

Company	% of shares held December 2023	% of shares held December 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%	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%	Paterna (ES)	3'000 EUR	Full Consolidation
Medacta Europe Operations S.r.l.	100%	100%	Milan (IT)	100'000 EUR	Full Consolidation
Medacta France SAS	100%	100%	Nanterre (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

The percentages of shares held, reported in the table above, 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. The registered offices for each entity represent the subsidiary's main place of administration.

SIGNIFICANT ACCOUNTING POLICIES

INVENTORIES

Inventories of raw material are stated at the lower of the acquisition cost, determined via "first in, first out" (FIFO) methodology, and net realisable value.

Inventories of finished goods and work in progress are valued at the lower of production cost and net realisable value. Production cost comprises the acquisition price of raw materials and consumables, directly attributable costs and a proportion of indirectly attributable costs incurred in bringing the inventories to their present location and condition.

The net realisable value represents the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions for write-downs for raw materials, work in progress and finished goods which are considered obsolete or slow moving are determined by taking into account their expected future utilisation and their net realisable value. The Group also considers other reasons that the cost of inventories may not be recoverable such as damage, obsolescence, declines in selling price. The cost of inventories may not be recoverable if the estimated costs incurred to make the sale would be greater than the net realisable value.

In addition, when the Group performs its assessment of the net realisable value at the end of each reporting period, it considers whether the circumstances that previously caused inventories to be written-down no longer exist or whether there is clear evidence of an increase in net realisable value because of changed economic circumstances and, if necessary, reverses the amount of the write-down so that the new carrying amount is the lower of the cost and the revised net realisable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost, which includes expenditures that are directly attributable to the acquisition of the items. The Group adopted the Cost Model under IFRS. Under this model, after initial recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. The depreciable amount of the items of property, plant and equipment, measured as the difference between their historical cost and their residual value, is allocated on a straight-line basis over their estimated useful lives as follows:

- Buildings 40 years
- Plants 10 years
- Machinery 15 years
- Instruments 6 years
- Other fixtures and fitting, tool and equipment 5-8 years

Land is not depreciated as it is deemed to have an indefinite life. Leasehold improvements are depreciated over the lease term including optional extension of the lease period but not exceeding its economic life. Assets under construction are not depreciated until they are available for use.

Depreciation is recorded in the Consolidated Statement of Profit or Loss by function in "Cost of Sales", "Research and Development expenses", "Sales and Marketing expenses" and "General and Administrative expenses". Instruments depreciation is recorded in "Cost of Sales".

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repair and maintenance costs are charged to the Consolidated Statement of Profit or Loss during the financial period in which they are incurred.

The residual value and the useful economic life of property, plant and equipment are reviewed annually and adjusted where necessary.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Further information can be found in "Impairment of assets" section.

Upon disposal or when no future economic benefits are expected from the use of an item of property, plant and equipment, its carrying amount is derecognised. The gain or loss arising from derecognition is included in the Consolidated Statement of Profit or Loss.

LEASES

For any new contract, the Group assesses whether a contract is or contains a lease. A lease is defined as a "contract, or a part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration".

Leases are recognised by the Group as a Right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which the lessee is.

The only two recognition and measurement exemptions identified by the Group are short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position.

The Group applies IAS 36 to determine whether a Right-of-use asset is impaired. Further information can be found in "Impairment of assets" of the current section.

INTANGIBLE ASSETS

Intangible assets are non-monetary assets which are separately identifiable, have no physical nature, are under the company's control and are able to generate future economic benefits.

Such assets are recognised at acquisition cost and/or development cost, including all costs directly attributable to make the assets available for use, net of accumulated amortisation and any impairment. Amortisation of intangible assets (excluding goodwill) commences when the asset is available for use and is calculated on a straight-line basis over the asset's estimated useful life.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is tested for impairment at least annually to identify any impairment losses. This test is carried out with reference to the cash-generating unit (CGU) or group of CGUs to which goodwill is allocated and monitored. Reductions in the value of goodwill are recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU or group of CGUs, less costs to sell and the related value in use. An impairment loss recognised against goodwill cannot be reversed in a subsequent period. If an impairment loss identified by the impairment test is higher than the value of goodwill allocated to that CGU or group of CGUs, the residual difference is allocated to the other assets included in the CGU or group of CGUs in proportion to their carrying amount.

Research and Development

Research is defined as "original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding".

According to IAS 38 no intangible asset arising from research (or from the research phase of an internal project) shall be recognised. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, expenditure on research shall be recognised as an expense when it is incurred.

Development is defined as "the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use".

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditures which fulfil these criteria are limited to the development of new prosthesis and/or surgical instruments as well as costs related to the development of existing products in the pipeline which require significant improvements. Expenditures which do not fulfil these criteria, and costs incurred after that the development phase is completed (typically when the product obtains certification) are expensed as incurred (i.e., post-market surveillance, maintenance and other minor improvements activities). In addition to the internal costs (direct personnel and other operating costs, depreciation on research and development equipment and allocated occupancy costs), total costs also include externally contracted development work. Such capitalised intangibles are recognised at cost less accumulated amortisation and impairment losses.

After initial recognition, if the development of the project is abandoned, fails, or the requirements for recognition under IAS 38 and Group's accounting policies cease to be met, the project is disposed, and the related loss is recognised in the Consolidated Statement of Profit or Loss, in the line "Research and Development expenses".

The estimated useful lifetime of development projects is 5 years applying the straight-line method.

Amortisation of Development is recorded in the Consolidated Statement of Profit or Loss in the line "Research and Development expenses".

Trademarks, customer lists, patents and other intangible assets

Assets acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

Contractual customer lists acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over the expected life of the customer lists, and it is recorded in the Consolidated Statement of Profit or Loss in line "Sales and Marketing expenses".

All intangible assets are subject to impairment tests, as required by IAS 36—Impairment of Assets, if there are indicators that the assets may be impaired, except for in-process development projects that are tested for impairment at least once a year.

Below is reported a scheme which summarises the useful lives of each category of Intangible assets:

- trademarks 5 years
- distributor network and contractual customer lists 15 years
- other intangibles 5 years

IMPAIRMENT OF ASSETS

IAS 36 Impairment of Assets seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e., the higher of fair value less costs of disposal and value in use). As detailed below, with the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test may be conducted for a 'cash-generating unit' where an asset does not generate cash inflows that are largely independent of those from other assets.

Impairment of Goodwill and Intangible assets with indefinite life

Goodwill and intangible assets with indefinite life are tested annually for impairment or whenever there are impairment indicators. Impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill and intangible assets with indefinite life are related. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of Property, Plant and Equipment, Right-of-Use and Intangible assets with a definite useful life

For the purposes of assessing impairment, property, plant and equipment, right-of-use assets and intangible assets with a definite useful life are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Unit or "CGU"). These assets are analysed at each reporting date for any evidence of impairment. If such evidence is identified, the recoverable amount of these assets is estimated, and any impairment loss related to carrying amount is recognised in Profit or Loss. The recoverable amount is the higher of the fair value of an asset, less selling costs and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The recoverable amount of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in the Profit or Loss when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's carrying amount is restored with the resulting increase recognised through Profit or Loss; however,

the carrying amount may not exceed the net carrying amount that this asset would have had if no impairment had been recognised and the asset had been depreciated/amortised instead.

Impairment of Intangible assets for development costs

Intangible assets for development costs are tested whenever there is an indicator of impairment. Medacta Group on a quarterly basis performs an assessment on the existence of impairment indicators. If an impairment loss is identified, it is recognised in the Consolidated Statement of Profit or Loss. The Group performs its annual impairment test of in-process development projects as of September 30. Medacta usually applies the value in use method for its impairment assessment. The estimates used are highly sensitive and depend on assumptions specific to the nature of the Group's activities with regard to: amount and timing of expected cash flows, long-term sales forecasts, sales erosion from competitors, outcome of research and development activities, amount and timing of projected costs to develop in-process research and development in commercially viable products, tax rates, discount rates.

The reversal of an impairment loss is recorded in the Consolidated Statement of Profit or Loss. The impairment loss incurred on goodwill cannot be reversed.

FINANCIAL INSTRUMENTS

Financial instruments are any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

Financial assets (classification)

Financial assets are initially measured at fair value. IFRS 9 identified two measurement categories: amortised cost and fair value. Movements in fair value are presented in either profit or loss (FVTPL) or other comprehensive income (FVTOCI), subject to certain criteria being met. The classification of financial assets under IFRS 9 based on the business model within which a financial asset is managed, and its contractual cash flow characteristics are reported as follows:

- amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method;
- fair value through Other Comprehensive Income (FVTOCI): financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- fair value through Profit or Loss (FVTPL): any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

The Group, according with the principle, is subject only to amortised cost and fair value through profit or loss (FVTPL) classifications.

Trade and other receivables

Trade and other receivables are stated at amortised cost, less expected credit losses.

The Group writes off the receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Trade receivables do not contain any significant financing element as of December 31, 2023 and 2022.

Impairments of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

With respect to IFRS 9, the Group recognises a loss allowance for expected credit losses on:

- other non-current and current financial assets;
- other assets and prepaid expenses;
- trade receivables.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss. The Group determines the expected credit losses in these items by using a provision matrix on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current condition and estimates of future economic condition. In addition, the Group considers a trade receivable "credit impaired", and consequently subject to a specific loss allowance, when there is evidence that the recoverability of the asset is deteriorating, i.e., when specific events has occurred, such as: the customer is experiencing significant financial difficulties; or it is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

For all other assets, the Group recognises lifetime expected credit losses when there is a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the allowance for these financial instruments an amount equal to 12 months expected credit loss.

In assessing whether the financial credit risk of the instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical and forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in Profit or Loss.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, and the type of hedge relationship designated.

The Group entered into several forward contracts during the years 2023 and 2022, selling USD and buying CHF. None of these contracts were designated in hedge relationships. These instruments have a duration between 1 and 12 months.

Financial derivatives with a positive fair value are recorded in other current financial assets and those with a negative fair value in current financial liabilities. Fair value changes of financial derivatives are booked as financial income/(costs) into the Consolidated Statement of Profit or Loss (refer to Note 6.24 "Information on the Consolidated Statement of Profit or Loss").

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. Cash and cash equivalents is considered to have low credit risk since it is deposited in bank institutions with over BB+ rating. The carrying amount of these assets is approximately equal to their fair value.

Trade payables and other current liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value. Subsequent measurement is made using the amortised cost using the effective interest rate method.

Borrowings and other financial liabilities

Borrowings from banks or financial institutions and other financial liabilities are initially recorded at fair value. Subsequent measurement is made using the amortised cost using the effective interest rate method.

Borrowings and other financial liabilities are classified among current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reporting date.

Borrowings and other liabilities are removed from the Statement of Financial Position when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES / TAXES (P&L)

Income taxes include all taxes based on the taxable profits of the Group. Current and deferred taxes are recognised as a benefit or expenses and are included in the Consolidated Statement of Profit or Loss for the year, except tax arising from:

- a transaction or event which is recognised, in Other Comprehensive Income (OCI) or directly in equity, in which case, taxes are also recognised in OCI or directly in equity, respectively;
- a business combination, in which case the tax effect is included in the accounting for the business combination.

Income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary to the reporting entity.

Income tax expenses comprise current and deferred income taxes.

Current income taxes

Current income taxes are based on the taxable profit of the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Profit or Loss, because it excludes items that are never taxable or deductible. The Group's tax assets and liabilities for the current period are measured at the amount expected to be received from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically takes position in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate, based on the amounts expected to be paid to the tax authorities. Interest and penalties associated with these positions are included in "Income taxes" within the Consolidated Statement of Profit or Loss.

Deferred income taxes

Deferred income taxes are accounted for using the liability method, based on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted as of the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable Profit or Loss;
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of part or all the deferred tax assets to be utilised. The recoverability of deferred tax assets is dependent on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse, and tax losses carried forward can be utilised. In making this assessment the Group considers future taxable income arising on the most recent budgets and plans, prepared by using the same criteria described for testing the impairment of assets and goodwill. Moreover, the Group estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these assets could be recovered.

EMPLOYEE BENEFIT OBLIGATION

Post-employment plans

Most employees of the Group are covered by post-employment plans. Most of the plans are defined contribution plans, where future benefits are determined by reference to the amount of contributions paid, and are generally administered by autonomous pension funds or independent insurance companies. These post-employment plans are financed through employer and employee contributions. The Group's contributions to defined contribution plans are charged to the Profit or Loss in the year to which they relate.

Some entities of the Group (as disclosed in Note 6.19 "Employee benefit obligation") sponsor defined benefit pension plans for qualifying employees. Accounting and reporting of these plans are based on actuarial valuations. Defined benefit obligations and service costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the Profit or Loss to spread the regular cost over the service lives of employees participating in these plans. The pension obligation is measured as the present value of the estimated future outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Service costs from defined benefit plans are charged to the appropriate Profit or Loss heading within the operating results.

A single net interest component is calculated by applying the discount rate to the net defined benefit asset or liability. The net interest component is recognised in the Profit or Loss in the financial result.

Remeasurements of defined benefit obligations, resulting from changes in actuarial assumptions and differences between assumptions and actual experiences, are recognised in the period in which they occur in "Other Comprehensive Income" (OCI).

Other non-current benefits

Other non-current benefits mainly comprise length of service compensation benefits in certain Group companies. Contributions made by employees or by third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- if the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are recorded in Other Comprehensive Income (OCI) as remeasurements of employee benefits;
- if contributions are linked to services, they reduce service costs.

Short-term employee benefits

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

SHARE-BASED COMPENSATION

In 2021 the Board of Directors approved the implementation of the LTIP proposed by the Remuneration Committee, under the Performance Share Plan ("The Plan"). The purpose of the plan is to provide the eligible Medacta employees with an opportunity to become shareholders of the company, and hence align their interests to those of Medacta's other shareholders, to participate in the future long-term success and prosperity of the Group, and to enhance and reward loyalty of the employees. Ultimately, the number of PSUs which vest shall be determined by the Board or a body designated by the Board in a final, conclusive and binding manner. The Final Vesting Multiple equals either Group Vesting Multiple or Country Vesting Multiple, whereas the latter applies if all of the following three conditions are met:

- Group Vesting Multiple is below 0.30;
- the respective Participant is eligible for country performance consideration;
- the country performance threshold has been met for the entire duration of the plan.

If any one of the above conditions is not met, the Final Vesting Multiple equals the Group Vesting Multiple. The Group Vesting Multiple consists of two components that are weighted equally: (i) a component with a market condition that is based on the total shareholders' return (TSR) measured over three years relative to the SPI Extra Index and (ii) a component with a performance condition that is based on the Company's Absolute EBIT Vesting Multiple performance.

Participants to the Plan receive part of their remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments (equity-settled transactions). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. The fair value of performance stock units (PSUs) granted under TSR performance component is estimated using the Monte Carlo simulation methodology. The Monte Carlo simulation input assumptions are determined based on available internal and external data sources. The expected volatility of the share price returns is based on the historic volatility of daily share price returns of the Company, derived from Revolut and measured over a historical period matching the performance period of the awards. Further details are provided in Note 6.20 "Share-based payment transactions". No expense is recognised for awards that do not ultimately vest. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date of grant, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding performance share units (PSUs) is reflected as additional share dilution in the computation of earnings per share (Note 6.27 "Earnings per share").

TREASURY SHARES

Equity instruments which are re-acquired by Medacta Group SA (treasury shares) are deducted from equity and disclosed separately. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The expense relating to any provision is presented in the income statement, net of any reimbursement and where discounting is used, the increase in the provision is recognised as a finance expense.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognised primarily when control of the promised goods is transferred to the customer, which typically occurs at the point in time upon delivery, shipment or utilisation. There is no significant revenue associated with the provision of services.

The Group sells products mainly through the following channels:

- healthcare institutions (hospitals, clinics). Inventory is generally consigned to sales agents or customers before surgery is planned, so that the products are available when needed. Revenue is recognised at the point in time when notification is received that the product has been implanted or used, i.e., when surgery occurs;
- external distributors. Medacta sells products to distributors mainly in countries where it does not have its own presence. Revenue is generally recognised when control of products is transferred to the customer, which typically occurs upon shipment of the product.

Sales commissions to employees or agents are contract costs and are recorded in the Consolidated Statement of Profit or Loss at the point in time when related revenues are recognised. The Group does not incur other significant costs to obtain contracts. There are no significant contract assets, liabilities or future performance obligations.

The transaction price may comprise both fixed and variable components. Products are in most transactions sold at pre-defined fixed prices. However, transaction price may also include in some instances variable considerations contingent to future events in the form of discounts, rebates or paybacks. Revenue is recognised, as soon as the performance obligation is satisfied, at the transaction price identified. Medacta applies the "most likely amount" method or the "expected value method" in order to estimate the variable consideration, whichever is more predictive based on the terms of the contracts. The amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

6.3 NEW ACCOUNTING AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR REPORTING PERIODS BEGINNING ON JANUARY 1, 2023

AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IFRS PRACTICE STATEMENT 2 MAKING MATERIALITY JUDGEMENTS– DISCLOSURE OF ACCOUNTING POLICIES

The group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The adoption did not have any material impact on the disclosures or on the amounts reported in these financial statements.

AMENDMENTS TO IAS 12 INCOME TAXES—DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The presentation of the deferred tax assets and liabilities arising from the recognition of right-of-use assets and lease liabilities has been amended accordingly, reporting the opening balance and movements of the gross amounts in the disclosure. The amendment did not have any other impact on the Consolidated Financial Statements of the Group. The effects of the change in presentation are disclosed in Note 6.11 "Deferred tax assets and deferred tax liabilities / Income Taxes".

AMENDMENTS TO IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS—DEFINITION OF ACCOUNTING ESTIMATES

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The amendment did not have any material impact on the Consolidated Financial Statements of the Group.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR REPORTING PERIODS BEGINNING ON AND AFTER JANUARY 1, 2024 AND NOT YET ADOPTED BY THE GROUP

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 10 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;
- amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2024);
- amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants (effective for annual 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 (effective for annual periods beginning on or after January, 1, 2024);
- amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after January 1, 2024).

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 financial statements.

6.4 FINANCIAL RISKS MANAGEMENT

The Board of Directors is responsible for the Group's internal control system, which provides the ultimate oversight for Medacta's strategy, operation and finances.

The internal control system of Medacta is structured to ensure the correct disclosure and adequate coverage of control over all Group activities, with particular attention on areas considered potentially at risk. Each Board Member is entitled to request information concerning all affairs of the Company and the Group reasonably necessary to fulfil his fiduciary duties.

The risk management strategy of the Group aims to stabilise the results of the Group by minimising the potential effects due to volatility in financial markets.

The Group uses derivative financial instruments to mitigate exchange rate risks.

According to the Organizational Regulations[1], the CFO, in cooperation with the CEO, ensures good financial governance, overseeing all financial planning, budgeting (short- and midterm), reporting and risk management activities. Furthermore, the CFO leads the implementation of systems and procedures to seek to ensure compliance with regulatory requirements for financial information, reporting, disclosure requirements, and internal control.

Liquidity risk is managed centrally for the whole Group including necessities of foreign subsidiaries.

The assets of the Group are exposed to different types of financial risk:

- market risk (which includes exchange rate risk and cash flow uncertainty);
- credit risk;
- liquidity risk.

MARKET RISK

EXCHANGE RATE RISK

The Group operates internationally and is, therefore, exposed to exchange rate risk related to the various currencies with which the Group operates.

The Group is exposed to foreign exchange risk mainly related to financial instruments (including trade and other receivables, trade and other liabilities, financial and lease liabilities) held by the Swiss companies of the Group in currencies different from their functional currency (Swiss Franc).

Furthermore, the Group uses Euro as presentation currency and holds net assets in different functional currencies, hence is exposed to foreign currency translation risk. This risk is not hedged.

The Group only enters into foreign exchange forward contracts, selling USD and buying CHF. The financial instruments have a duration between 1 and 12 months. These financial instruments are not designated in hedging relationships.

As of December 31, 2023, forward currency contracts with a nominal value of USD 36'000 thousand (2022: USD 36'000 thousand) and positive fair value of Euro 1'679 thousand (2022: positive fair value of Euro 802 thousand) were open. Financial derivatives with a positive fair value are recorded in other current financial assets and those with a negative fair value in other current financial liabilities. Changes in the fair value of financial derivative instruments are recognised as financial income/(costs) into the Consolidated Statement of Profit or Loss (refer to Note 6.24.4 "Information on the Consolidated Statement of Profit or Loss - Financial income/(costs)").

The sensitivity analysis considers major foreign currency risk exposures in relation to the foreign exchange exposure of the Swiss companies of the Group, and it is based on the deviation from the closing exchange rates of the Swiss Franc (increase/decrease of 10% of the closing exchange rate as of December 31, 2023 and as of December 31, 2022).

The following tables demonstrate the sensitivity to a reasonable possible currency rate change of the Group's Profit before taxes and of the Group's Equity, with all other variables held constant.

EXCHANGE RATES SENSITIVITY

As at December 31, 2023

(Thousand Euro)

Currency *	Closing exchange rate	Increase / (Decrease)	Profit Before Taxes	Equity
USD/CHF	0.8415	10%	9'819	-
EUR/CHF	0.9287	10%	960	-
JPY/CHF	0.0060	10%	(58)	-
AUD/CHF	0.5731	10%	(26)	-
USD/CHF	0.8415	(10%)	(9'819)	-
EUR/CHF	0.9287	(10%)	(960)	-
JPY/CHF	0.0060	(10%)	58	-
AUD/CHF	0.5731	(10%)	26	-

* The amounts in the table above are calculated in CHF, which is the functional currency of Medacta International SA. The figures summarised in the table are reported in thousand Euro, which is the presentation currency of the Group.

[1] Medacta's Organisational Regulations (including the charters of the Board Committees) are available on Medacta's website at: https://www.medacta.com/EN/corporate-governance?goto=organizational-regulations.

As at December 31, 2022

(Thousand Euro) Currency *	Closing exchange rate	Increase / (Decrease)	Profit Before Taxes	Equity
USD/CHF	0.9244	10%	9'202	-
EUR/CHF	0.9893	10%	1'816	-
JPY/CHF	0.0070	10%	645	-
AUD/CHF	0.6298	10%	156	-
USD/CHF	0.9244	(10%)	(9'202)	-
EUR/CHF	0.9893	(10%)	(1'816)	-
JPY/CHF	0.0070	(10%)	(645)	-
AUD/CHF	0.6298	(10%)	(156)	-

* The amounts in the table above are calculated in CHF, which is the functional currency of Medacta International SA. The figures summarised in the table are reported in thousand Euro, which is the presentation currency of the Group.

INTEREST RATE RISK

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Changes in interest rate levels affect the cost and return of the various forms of funding and use, thus affecting the overall net financial result. No hedging activities (such as interest rate swaps) were conducted during the 2023 and 2022 closing periods.

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement that would result from a hypothetical positive and negative change of 50 bps in interest rates compared with those actually recognised in each period. The analysis was carried out mainly about the Group's current interest-bearing assets and current and non-current debt with floating interest rates. With regard to the current interest-bearing assets a possible change in the interest rates of 50 bps would not have a material impact on profit or loss, while for the current and non-current debt with floating, the precise impact was calculated.

The following table shows the sensitivity to interest rate changes, with all other variables held constant, of the Group's Profit or Loss and Equity:

INTEREST RATE SENSITIVITY - IMPACT ON PROFIT OR LOSS

(Thousand Euro)	50 basis points increase
As of December 2022	(702)
As of December 2023	(781)

CREDIT RISK

Credit risk exists in relation to trade and other receivables, cash and deposits in banks.

The Group constantly monitors the exposure to credit risk on its customers. Due to diversity of customers, there is no single credit limit for all customers, nevertheless the Group assesses its customers taking into account their financial situation, past experience, and other factors.

Trade receivables' balance at the end of the year is equal to Euro 94'651 thousand (Euro 77'957 thousand in 2022), out of which Euro 4'653 thousand are due from a single customer (Euro 5'466 thousand in 2022). The Group does not have other significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The concentration of credit risk related to largest trade customer did not exceed 10% of gross monetary assets at any time during the year. The concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. Core banking relations are maintained with at least "BB+" rated (S&P) financial Institutions.

The Group does not expect any significant losses either from receivables or from other financial assets. Low credit risk of internal default is defined based on review of Financial Position of counterparties including review of the industry.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Impaired	There is evidence indicating the asset is credit-impaired	Lifetime ECL- credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

December 31, 2023 (Thousand Euro)	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables (not credit impaired)	6.13	N/A	*	Lifetime ECL (simplified approach)	93'641	(1'649)	91'992
Trade receivables (credit impaired)	6.13	N/A	**	Lifetime ECL (credit impaired)	5'276	(2'617)	2'659
TOTAL TRADE RECEIVABLES					**98'917**	**(4'266)**	**94'651**

December 31, 2022 (Thousand Euro)	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables (not credit impaired)	6.13	N/A	*	Lifetime ECL (simplified approach)	78'000	(872)	77'128
Trade receivables (credit impaired)	6.13	N/A	**	Lifetime ECL (credit impaired)	2'406	(1'577)	829
TOTAL TRADE RECEIVABLES					**80'406**	**(2'449)**	**77'957**

* For trade receivables (not credit impaired), the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

** The Group considers a trade receivable "credit impaired", and consequently subject to a specific loss allowance, when there is evidence that the recoverability of the asset is deteriorating, i.e. when specific events has occurred, such as: the customer is experiencing significant financial difficulties; or it is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

LIQUIDITY RISK

The management of the liquidity risk originating from the day-by-day operations of the Group involves the maintenance of an adequate level of cash and cash equivalents as well as financial resources through an adequate amount of credit lines.

The Group aims to grow further and wants to remain flexible in making time-sensitive investment decisions. This overall objective is included in the asset allocation strategy. A rolling forecast based on the expected cash flows is conducted and updated regularly to monitor and control liquidity.

The following tables include a summary, by maturity date, as of December 31, 2023 and 2022. The reported balances are contractual and undiscounted figures including repayments and interests.

As at December 31, 2023 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Total
Trade payables	38'851			**38'851**
Current financial liabilities	50'519	-	-	**50'519**
Current lease liabilities	9'744	-	-	**9'744**
Accrued expenses	12'640	-	-	**12'640**
Non-current financial liabilities	-	129'008	-	**129'008**
Non-current lease liabilities	-	25'882	10'051	**35'933**
Net derivative financial (assets)/liabilities	(1'679)	-	-	**(1'679)**
Gross outflows	*33'547*	-	-	***33'547***
Gross inflows	*(35'226)*	-	-	***(35'226)***

As at December 31, 2022 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Total
Trade payables	28'480	-	-	**28'480**
Current financial liabilities	9'886	-	-	**9'886**
Current lease liabilities	7'046	-	-	**7'046**
Accrued expenses	11'911	-	-	**11'911**
Non-current financial liabilities	-	121'416	29'242	**150'658**
Non-current lease liabilities	-	17'508	5'487	**22'995**
Net derivative financial (assets)/liabilities	(802)	-	-	**(802)**
Gross outflows	*33'718*	-	-	***33'718***
Gross inflows	*(34'520)*	-	-	***(34'520)***

6.5 FAIR VALUE MEASUREMENT AND CLASSIFICATION

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The definition above reported emphasises that the fair value is a market-based measurement, not an entity-specific measurement. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible, including assumptions about possible risk. As a consequence, an entity's intention to hold/settle an asset or otherwise fulfil a liability is not relevant to the fair value measurement process.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as explained above. The following tables show the carrying amounts and fair values of financial assets and liabilities by category of financial instrument in the Consolidated Statement of Financial Position. 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 summarise the financial instruments carried at fair value, by valuation method as of December 31, 2023 and 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.

Carrying amount (based on measurement basis)						
		Assets / Liabilities as FVTPL				
As at December 31, 2023 (Thousand Euro)	Asset and Liabilities at amortised cost	Level 1	Level 2	Level 3	Total carrying amount	Fair Value
Non-current financial assets	712	-	-	-	**712**	-
Trade receivables	94'651	-	-	-	**94'651**	-
Current financial assets	5'372	-	1'679	-	**7'051**	-
Cash and cash equivalents	20'792	-	-	-	**20'792**	-
Non-current financial liabilities	116'087	-	-	-	**116'087**	-
Non-current lease liabilities	32'139	-	-	-	**32'139**	-
Other non-current liabilities	2'965	-	-	-	**2'965**	-
Trade payables	38'851	-	-	-	**38'851**	-
Current financial liabilities	46'924	-		-	**46'924**	-
Current lease liabilities	8'613	-	-	-	**8'613**	-
Other current liabilities	14'752	-	-	-	**14'752**	-

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
Non-current financial assets	481	-	-	-	**481**	-
Trade receivables	77'957	-	-	-	**77'957**	-
Current financial assets	-	-	802	-	**802**	-
Cash and cash equivalents	32'261	-	-	-	**32'261**	-
Non-current financial liabilities	137'592	-	-	-	**137'592**	-
Non-current lease liabilities	21'371	-	-	-	**21'371**	-
Other non-current liabilities	4'649	-	-	-	**4'649**	-
Trade payables	28'480	-	-	-	**28'480**	-
Current financial liabilities	7'091	-	-	-	**7'091**	-
Current lease liabilities	6'362	-	-	-	**6'362**	-
Other current liabilities	15'515	-	-	-	**15'515**	-

The level 2 balance relates to forward currency contracts (foreign exchange contracts, selling USD and buying CHF; the financial instruments have a duration between 1 and 12 months) described in Note 6.4 "Financial risks management", "Market risk - exchange rate risk" sections.

6.6 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 organisational 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 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 organisation model adopted by the Group during the Financial Year as of December 31, 2023.

INFORMATION BY GEOGRAPHIC AREA

The Group operates in EMEA (which includes Europe, Middle East and Africa), North America (which includes the United States of America and Canada), Asia-Pacific (which includes Asia and Oceania) and LATAM (which includes all countries located in Latin America). In 2023 the Group reorganised the key geographic areas introducing EMEA and LATAM regions, reclassifying Rest of the World (RoW) region. EMEA includes revenue from the former Europe region and select countries originally included in RoW region. LATAM includes revenue from countries located in Latin America previously included in RoW region. 2022 figures have been restated accordingly. 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 would not provide any material value to the reader.

	31.12.2023		31.12.2022	
SALES AND PROPERTY, PLANT AND EQUIPMENT (Thousand Euro)	Net sales	Property, plant and equipment	Net sales	Property, plant and equipment
EMEA*	242'422	185'196	196'666	154'529
North America	154'008	35'129	136'770	31'057
Asia Pacific	104'183	2'617	94'364	2'649
LATAM*	10'165	-	9'322	-
TOTAL CONSOLIDATED	**510'778**	**222'942**	**437'122**	**188'235**

* In 2023 the Group reorganised the key geographic areas introducing EMEA and LATAM regions, reclassifying Rest of the World (RoW) region. EMEA includes revenue from the former Europe region and select countries originally included in RoW region. LATAM includes revenue from countries located in Latin America previously included in RoW region. 2022 figures have been restated accordingly.

6.7 PROPERTY, PLANT AND EQUIPMENT

2023 (Thousand Euro)	Land	Buildings	Plants & Machinery	Instruments	Other fixtures and fitting, tool and equipment	Assets under construc-tion	Total
HISTORICAL COST							
BALANCE JANUARY 1, 2023	**12'932**	**48'229**	**39'065**	**265'046**	**29'254**	**687**	**395'213**
Additions	1'583	605	1'968	56'052	5'943	5'088	71'239
Disposals	-	-	(660)	(9'803)	(286)	-	(10'749)
Transfers *	-	-	1'863	-	610	(610)	1'863
Exchange differences	917	3'244	2'659	9'128	1'276	208	17'432
BALANCE DECEMBER 31, 2023	**15'432**	**52'078**	**44'895**	**320'423**	**36'797**	**5'373**	**474'998**
ACCUMULATED DEPRECIATION							
BALANCE JANUARY 1, 2023	**-**	**(6'842)**	**(22'776)**	**(155'586)**	**(21'774)**	**-**	**(206'978)**
Depreciation of the year and impairment loss	-	(1'283)	(2'518)	(33'054)	(3'067)	-	(39'922)
Disposals	-	-	660	2'904	257	-	3'821
Transfers *	-	-	(840)	-	-	-	(840)
Exchange differences	-	(522)	(1'588)	(4'983)	(1'044)	-	(8'137)
BALANCE DECEMBER 31, 2023	**-**	**(8'647)**	**(27'062)**	**(190'719)**	**(25'628)**	**-**	**(252'056)**
NET BOOK VALUE							
BALANCE JANUARY 1, 2023	**12'932**	**41'387**	**16'289**	**109'460**	**7'480**	**687**	**188'235**
BALANCE DECEMBER 31, 2023	**15'432**	**43'431**	**17'833**	**129'704**	**11'169**	**5'373**	**222'942**

* The total balance of "Transfers" refers to the reclassification from right-of-use assets to property plant and equipment due to the purchase of the leased assets.

2022 (Thousand Euro)	Land	Buildings	Plants & Machinery	Instruments	Other fixtures and fitting, tool and equipment	Assets under construc-tion	Total
HISTORICAL COST							
BALANCE JANUARY 1, 2022	**7'733**	**44'115**	**31'308**	**213'383**	**25'568**	**43**	**322'150**
Additions	4'753	1'958	1'855	51'138	2'811	643	63'158
Disposals	-	-	(176)	(9'533)	(170)	-	(9'879)
Transfers *	-	-	4'470	-	-	-	4'470
Exchange differences	446	2'156	1'608	10'058	1'045	1	15'314
BALANCE DECEMBER 31, 2022	**12'932**	**48'229**	**39'065**	**265'046**	**29'254**	**687**	**395'213**
ACCUMULATED DEPRECIATION							
BALANCE JANUARY 1, 2022	**-**	**(5'284)**	**(17'552)**	**(125'184)**	**(18'752)**	**-**	**(166'772)**
Depreciation of the year and impairment loss	-	(1'273)	(2'098)	(28'498)	(2'403)	-	(34'272)
Disposals	-	-	138	3'285	170	-	3'593
Transfers *	-	-	(2'348)	-	-	-	(2'348)
Exchange differences	-	(285)	(916)	(5'189)	(789)	-	(7'179)
BALANCE DECEMBER 31, 2022	**-**	**(6'842)**	**(22'776)**	**(155'586)**	**(21'774)**	**-**	**(206'978)**
NET BOOK VALUE							
BALANCE JANUARY 1, 2022	**7'733**	**38'831**	**13'756**	**88'199**	**6'816**	**43**	**155'378**
BALANCE DECEMBER 31, 2022	**12'932**	**41'387**	**16'289**	**109'460**	**7'480**	**687**	**188'235**

* The total balance of "Transfers" refers to the reclassification from right-of-use assets to property plant and equipment due to the purchase of the leased assets.

Additions for the year ended 2023, amounting to Euro 71'239 thousand (Euro 63'158 thousand in 2022), are primarily related to investments made on instruments, equal to Euro 56'052 thousand (Euro 51'138 thousand in 2022).

As of December 31, 2023, tangible fixed assets for a total amount of Euro 21'027 thousand have been pledged as collateral for borrowing facilities (2022: Euro 20'267 thousand).

During the years 2023 and 2022 no impairment losses have been recognised on property, plant and equipment.

6.8 LEASES

RIGHT-OF-USE ASSETS

The tables below show the movement of right-of-use assets for the years ended December 31, 2023 and 2022:

2023 (Thousand Euro)	Land and Building	Motor vehicles	ITC Equipment	Plant and Machinery	Other tool and equipment	Total
HISTORICAL COST						
BALANCE JANUARY 1, 2023	**16'772**	**6'436**	**148**	**21'818**	**654**	**45'828**
Additions	7'926	2'618	39	10'077	-	**20'660**
Disposals	(1'136)	(1'440)	(9)	-	-	**(2'585)**
Transfers *	-	-	-	(1'863)	-	**(1'863)**
Exchange differences	(359)	8	(4)	1'800	43	**1'488**
BALANCE DECEMBER 31, 2023	**23'203**	**7'622**	**174**	**31'832**	**697**	**63'528**
ACCUMULATED DEPRECIATION						
BALANCE JANUARY 1, 2023	**(7'203)**	**(3'164)**	**(84)**	**(5'029)**	**(84)**	**(15'564)**
Depreciation	(2'777)	(1'970)	(28)	(1'856)	(80)	**(6'711)**
Disposals	1'116	1'435	8	-	-	**2'559**
Transfers *	-	-	-	840	-	**840**
Exchange differences	134	(8)	3	(375)	(9)	**(255)**
BALANCE DECEMBER 31, 2023	**(8'730)**	**(3'707)**	**(101)**	**(6'420)**	**(173)**	**(19'131)**
NET BOOK VALUE						
BALANCE JANUARY 1, 2023	**9'569**	**3'272**	**64**	**16'789**	**570**	**30'264**
BALANCE DECEMBER 31, 2023	**14'473**	**3'915**	**73**	**25'412**	**524**	**44'397**

* The total balance included in "Transfers" refers to the re-classification from "Right-of-Use Assets" to "Property, plant and Equipment" after the leased assets were acquired.

2022 (Thousand Euro)	Land and Building	Motor vehicles	ITC Equipment	Plant and Machinery	Other tool and equipment	Total
HISTORICAL COST						
BALANCE JANUARY 1, 2022	**13'543**	**5'314**	**141**	**18'279**	**454**	**37'731**
Additions	3'018	2'398	38	7'087	175	**12'716**
Disposals	(44)	(1'277)	(31)	-	-	**(1'352)**
Transfers *	-	-	-	(4'470)	-	**(4'470)**
Exchange differences	255	1	-	922	25	**1'203**
BALANCE DECEMBER 31, 2022	**16'772**	**6'436**	**148**	**21'818**	**654**	**45'828**
ACCUMULATED DEPRECIATION						
BALANCE JANUARY 1, 2022	**(4'924)**	**(2'728)**	**(82)**	**(5'611)**	**(15)**	**(13'360)**
Depreciation	(2'304)	(1'715)	(33)	(1'508)	(67)	**(5'627)**
Disposals	44	1'277	31	-	-	**1'352**
Transfers *	-	-	-	2'348	-	**2'348**
Exchange differences	(19)	2	-	(258)	(2)	**(277)**
BALANCE DECEMBER 31, 2022	**(7'203)**	**(3'164)**	**(84)**	**(5'029)**	**(84)**	**(15'564)**
NET BOOK VALUE						
BALANCE JANUARY 1, 2022	**8'619**	**2'586**	**59**	**12'668**	**439**	**24'371**
BALANCE DECEMBER 31, 2022	**9'569**	**3'272**	**64**	**16'789**	**570**	**30'264**

* The total balance included in "Transfers" refers to the re-classification from "Right-of-Use Assets" to "Property, plant and Equipment" after the leased assets were acquired.

The Group leases several assets. The average lease term is 8 years for buildings, 3 years for motor vehicles, 6 years ITC equipment, 7 years for plants and machineries and 6 years for other fixtures and fittings, tool and equipment.

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

For the disclosure of the related lease liabilities see Note 6.17 "Financial and lease liabilities", paragraph "Lease liabilities".

AMOUNTS RECOGNISED IN PROFIT OR LOSS

Medacta Group recognised the following amounts in the Consolidated Statement of Profit or Loss as of December 31, 2023 and 2022:

(Thousand Euro)	31.12.2023	31.12.2022
Depreciation charge of right-of-use assets	(6'711)	(5'627)
Interest expense (included in financial costs)	(1'204)	(496)
Expense relating to short-term leases	(275)	(129)
Expense relating to leases of low-value assets that are not short-term leases	(42)	(41)

The total cash outflow for leases including short-term leases and low-value-assets in 2023 amount to Euro 10'346 thousand (Euro 7'813 thousand in 2022).

6.9 INTANGIBLE ASSETS

2023 (Thousand Euro)	Development Costs	Customer Lists	Goodwill	Other intangible assets	Total
HISTORICAL COST					
BALANCE JANUARY 1, 2023	**65'378**	**16'127**	**59**	**26'318**	**107'882**
Additions	8'335	-	-	2'143	10'478
Disposals	(11)	-	-	-	(11)
Exchange differences	4'648	(53)	-	1'481	6'076
BALANCE DECEMBER 31, 2023	**78'350**	**16'074**	**59**	**29'942**	**124'425**
ACCUMULATED AMORTISATION					
BALANCE JANUARY 1, 2023	**(29'602)**	**(6'264)**	**-**	**(21'828)**	**(57'694)**
Amortisation of the year	(7'807)	(1'074)	-	(2'137)	(11'018)
Impairment loss	(791)	-	-	-	(791)
Disposals	-	-	-	-	-
Exchange differences	(2'291)	20	-	(1'234)	(3'505)
BALANCE DECEMBER 31, 2023	**(40'491)**	**(7'318)**	**-**	**(25'199)**	**(73'008)**
NET BOOK VALUE					
BALANCE JANUARY 1, 2023	**35'776**	**9'863**	**59**	**4'490**	**50'188**
BALANCE DECEMBER 31, 2023	**37'859**	**8'756**	**59**	**4'743**	**51'417**

2022 (Thousand Euro)	Development Costs	Customer Lists	Goodwill	Other intangible assets	Total
HISTORICAL COST					
BALANCE JANUARY 1, 2022	**55'992**	**15'975**	**59**	**24'169**	**96'195**
Additions	6'659	-	-	1'203	7'862
Disposals	(74)	-	-	-	(74)
Exchange differences	2'801	152	-	946	3'899
BALANCE DECEMBER 31, 2022	**65'378**	**16'127**	**59**	**26'318**	**107'882**
ACCUMULATED AMORTISATION					
BALANCE JANUARY 1, 2022	**(20'124)**	**(5'160)**	**-**	**(18'936)**	**(44'220)**
Amortisation of the year	(7'866)	(1'077)	-	(2'151)	(11'094)
Impairment loss	(517)	-	-	-	(517)
Disposals	-	-	-	-	-
Exchange differences	(1'095)	(27)	-	(741)	(1'863)
BALANCE DECEMBER 31, 2022	**(29'602)**	**(6'264)**	**-**	**(21'828)**	**(57'694)**
NET BOOK VALUE					
BALANCE JANUARY 1, 2022	**35'868**	**10'815**	**59**	**5'233**	**51'975**
BALANCE DECEMBER 31, 2022	**35'776**	**9'863**	**59**	**4'490**	**50'188**

Development mainly consists of cost incurred for the development of new products or modification of existing products in the pipeline. The Group capitalises internal payroll cost, if these costs are attributable to a specific development project that is expected to generate probable future economic benefits. Research costs are directly recognised as costs in the Profit or Loss.

Other intangible assets mainly consist of costs recognised to deposit and renew trademarks, software, patents and licenses to distribute products.

"Customer lists" includes: the asset purchase acquisition of Levante Medica 2008 S.L., amounting to Euro 220 thousand, occurred in 2021 and paid out in 2022; the acquisition of ASD "Advanced Surgical Devices" occurred in 2018 and of Medacare GmbH and Vivamed GmbH, both occurred in 2017.

IMPAIRMENT TEST FOR INTANGIBLE ASSETS

As described in Note 6.2 "Consolidation principles, composition of the Group and significant accounting policies", paragraph "Significant accounting policies", on a quarterly basis management performs an assessment of the existence of impairment indicators for intangible assets (development projects). Any impairment loss or any loss relating the disposal of in progress development projects are recognised in Profit or Loss. During the year, Medacta recognised a total loss for impairment amounting to Euro 791 thousand in 2023 (Euro 517 thousand in 2022), out of which Euro 674 thousand (no impairment losses in 2022) arising from the annual impairment test disclosed below, and Euro 117 thousand based on the quarterly analyses performed throughout 2023 (Euro 517 thousand in 2022).

Losses for the derecognition of projects amount to Euro 11 thousand as of December 31, 2023 (Euro 74 thousand in 2022).

For the purpose of the annual impairment test, performed as of September 30, 2023, In-Process Research and Development projects (IPR&D) for a total amount of Euro 11'004 thousand were allocated to cash-generating-units (CGU) corresponding to Product Families. 37 Product Families were tested for impairment through the estimation of the value in use of the IPR&D projects allocated to each CGU, none of which is significant in comparison to the total carrying amount of IPR&D. The annual impairment test carried out during the year lead to an impairment loss of the carrying amount of the development projects, amounting to Euro 674 thousand. In 2022, no impairment losses arose from the annual impairment test.

The discount rate applied in the valuation model, amounting to 8.7%, considers the Group's weighted average cost of capital, adjusted to approximate the weighted average cost of capital of a comparable market participant.

The value in use was reviewed for the eventual impact of reasonably possible changes in key assumptions:

- an increase of 2 percentage points in the discount rate would lead to an additional impairment loss amounting to Euro 654 thousand;
- a decrease of 25.0% in forecasted revenues would lead to an additional impairment loss amounting to Euro 2'095 thousand.

Note 6.2 "Consolidation principles, composition of the Group and significant accounting policies" provides additional disclosure on how the Group performs the impairment testing.

6.10 FINANCIAL ASSETS

Financial assets include the following items:

(Thousand Euro)	31.12.2023	31.12.2022
Advances for Property, Plant and Equipment	3'122	-
Confirmation deposit for Property, Plant and Equipment	2'250	-
Forward Currency Contracts	1'679	802
Rent deposit	712	481
TOTAL FINANCIAL ASSETS	**7'763**	**1'283**
Current	7'051	802
Non-Current	712	481

"Advances for Property, Plant and Equipment" are mainly related to certain agreements with suppliers of machineries, paid out before the recognition of the underlying asset. "Confirmation deposit for Property, Plant and Equipment" is related to the payment of a preliminary deposit for future logistic expansion to establish a new distribution center in Italy. "Forward Currency Contracts" as of December 31, 2023 are related to the positive fair value of derivative financial instruments, amounting to Euro 1'679 thousand (Euro 802 thousand in 2022).

6.11 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES / INCOME TAXES

INCOME TAXES

(Thousand Euro)	31.12.2023	31.12.2022
Current income taxes	7'383	7'699
Deferred income taxes	3'981	844
TOTAL INCOME TAXES	**11'364**	**8'543**

Current income taxes consist of taxes paid or due on the results of the individual companies for the Financial Year in accordance with local regulation as well as charges and credits from previous year. The following elements explain the difference between the Group's average tax rate and the effective income tax rate:

RECONCILIATION OF TAX EXPENSE

(Thousand Euro)	31.12.2023	31.12.2022
Profit before taxes	58'726	54'792
AVERAGE TAX RATE	**21.0%**	**19.1%**
TAX AT AVERAGE TAX RATE	**12'334**	**10'461**
Patent Box deduction	(367)	(1'746)
AVERAGE TAX RATE NET OF DEDUCTIONS	**20.4%**	**15.9%**
+ / - EFFECTS OF		
Expenses not subject to tax, net	722	558
Revenues not subjected to tax, net	(32)	(7)
Effects from previous years	(258)	(23)
Change in tax rates on deferred tax balances	(1'121)	(849)
Other	86	149
TOTAL INCOME TAXES	**11'364**	**8'543**
EFFECTIVE INCOME TAX RATE (%)	**19.4%**	**15.6%**

The Group's average tax rate is calculated as the weighted average tax rate applicable to the profits in the countries where Medacta Group operates. Management believes that the "average tax rate" reported in the disclosure above provides the most meaningful information to the users of the financial statements. Deferred taxes relate to temporary differences generated by the companies of the Group.

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 2023 amounting to Euro 367 thousand (Euro 1'746 thousand in 2022), corresponding to a positive impact on the effective tax rate for 0.6% (3.2% in 2022).

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 occurred in 2023 related to the creation of a logistic company in the United States; this transaction resulted in a lower taxable income in Medacta International SA and, as a result, in lower tax deductions.

Starting from January 1, 2025, Medacta International SA will benefit from a reduction of the cantonal tax rate. This change in tax rate resulted in a lower net deferred tax liability due to the revaluation of temporary differences expected to reverse after 2024, with a positive impact on temporary differences amounting to Euro 1.1 million in 2023 (around Euro 0.8 million in 2022).

The Group has not recognised deferred tax liabilities in respect of taxable unremitted earnings that are considered indefinitely invested in foreign subsidiaries. As of December 31, 2023, those unremitted earnings retained by consolidated entities amount to Euro 11'637 thousand (2022: Euro 9'302 thousand).

DEFERRED INCOME TAXES

The Group recognises in the Consolidated Financial Statements as of December 31, 2023 the gross amounts of Deferred tax assets and Deferred tax liabilities, respectively amounting to Euro 40'938 thousand and to Euro 61'701 thousand.

Deferred tax assets are mainly related to our US subsidiary. The Group considers the amount of deferred taxes recoverable. The recoverability is based on the estimated future profits that are expected to be generated by the subsidiary, also considering that the current federal tax legislation does not provide any temporal limit to the future utilisation.

As of December 31, 2023, the amount of Deferred tax liabilities net of the Deferred tax assets, where the offsetting is allowed according to IAS 12 (par 74), is as follows:

NET DEFERRED TAXES

(Thousand Euro)	31.12.2023	31.12.2022
Net deferred tax assets	27'936	31'659
Net deferred tax liabilities	(48'699)	(44'619)
TOTAL NET DEFERRED TAXES	**(20'763)**	**(12'960)**

The amount netted between deferred tax assets and deferred tax liabilities is equal to Euro 13'002 thousand. For a better comprehension of deferred tax assets and liabilities, the schemes below show the respectively gross amounts. As reported in Note 6.3 "New accounting and international financial reporting standards" the Group has adopted the amendment to IAS 12 ("deferred tax related to assets and liabilities arising from a single transaction") as of January 1, 2023. The presentation of the deferred tax assets and liabilities arising from the recognition of right-of-use assets and lease liabilities has been amended accordingly. The movement in deferred income tax assets and liabilities is as follows:

DEFERRED TAX ASSETS

2023 (Thousand Euro)	PP&E, RoU Assets and Lease Liabilities	Inventories, receivables, provisions and other liabilities	Tax losses carried forward	Total
GROSS BALANCE AS OF JANUARY 1, 2023	**2'189**	**36'318**	**1'481**	**39'988**
Amendment to IAS 12 - Change in presentation	3'468	-	-	3'468
GROSS BALANCE AS OF JANUARY 1, 2023	**5'657**	**36'318**	**1'481**	**43'456**
Deferred taxes recognised in the income statement	1'858	(2'505)	(889)	(1'536)
Deferred taxes recognised in OCI	-	372	-	372
Exchange differences	27	(1'361)	(20)	(1'354)
GROSS BALANCE AS OF DECEMBER 31, 2023	**7'542**	**32'824**	**572**	**40'938**
Offsetting of deferred tax assets and liabilities				(13'002)
NET BALANCE AS OF DECEMBER 31, 2023				**27'936**

DEFERRED TAX ASSETS

2022 (Thousand Euro)	PP&E, RoU Assets and Lease Liabilities	Inventories, receivables, provisions and other liabilities	Tax losses carried forward	Total
GROSS BALANCE JANUARY 1, 2022	**1'978**	**33'409**	**2'683**	**38'070**
Deferred taxes recognised in the income statement	196	2'018	(1'374)	840
Deferred taxes recognised in OCI	-	(852)	-	(852)
Exchange differences	15	1'743	172	1'930
GROSS BALANCE DECEMBER 31, 2022	**2'189**	**36'318**	**1'481**	**39'988**
Offsetting of deferred tax assets and liabilities				(8'329)
NET BALANCE DECEMBER 31, 2022				**31'659**

As per December 31, 2023 and 2022, there were no unrecognised tax losses carried forward.

DEFERRED TAX LIABILITIES

2023 (Thousand Euro)	PP&E, RoU Assets and Lease Liabilities	Intangible assets	Inventories, receivables, provisions and other liabilities	Total
GROSS BALANCE JANUARY 1, 2023	**26'601**	**4'611**	**21'736**	**52'948**
Amendment to IAS 12 - Change in presentation	3'468	-	-	3'468
GROSS BALANCE AS OF JANUARY 1, 2023	**30'069**	**4'611**	**21'736**	**56'416**
Deferred taxes recognised in the income statement	5'711	(399)	(2'867)	2'445
Deferred taxes recognised in OCI	-	-	-	-
Exchange differences	917	226	1'697	2'840
GROSS BALANCE AS OF DECEMBER 31, 2023	**36'697**	**4'438**	**20'566**	**61'701**
Offsetting of deferred tax assets and liabilities				(13'002)
NET BALANCE AS OF DECEMBER 31, 2023				**48'699**

DEFERRED TAX LIABILITIES

2022 (Thousand Euro)	PP&E, RoU Assets and Lease Liabilities	Intangible assets	Inventories, receivables, provisions and other liabilities	Total
GROSS BALANCE JANUARY 1, 2022	**24'052**	**5'195**	**19'631**	**48'878**
Deferred taxes recognised in the income statement	1'206	(679)	1'157	1'684
Deferred taxes recognised in OCI	-	-	-	-
Exchange differences	1'343	95	948	2'386
GROSS BALANCE DECEMBER 31, 2022	**26'601**	**4'611**	**21'736**	**52'948**
Offsetting of deferred tax assets and liabilities				(8'329)
NET BALANCE DECEMBER 31, 2022				**44'619**

6.12 INVENTORIES

Inventories are composed of the following items:

INVENTORIES

(Thousand Euro)	31.12.2023	31.12.2022
Raw materials and consumables	36'669	26'705
Work in progress and semifinished goods	24'040	18'050
Finished goods	153'215	115'546
TOTAL INVENTORIES	**213'924**	**160'301**

The change in inventories is mainly due to increased purchasing and production to support demand and future growth of the Group.

The cost of inventories recognised in "Cost of Sales" as of December 31, 2023 includes Euro 2'981 thousand (Euro 3'392 thousand in 2022) in respect of write-downs of inventory to net realisable value for slow moving, discontinued and obsolete stock. In 2023 the inventory reserve has been utilised by Euro 1'247 thousand (Euro 690 thousand in 2022).

6.13 TRADE RECEIVABLES

(Thousand Euro)	31.12.2023	31.12.2022
Trade receivable, gross	98'917	80'406
Loss allowance on trade receivables	(4'266)	(2'449)
TOTAL TRADE RECEIVABLES	**94'651**	**77'957**

Trade receivables are recognised at amortised cost. The Group expected credit losses are based on historical credit loss experience, adjusted as appropriate to reflect current condition and estimates of future economic condition. On that base the amount of the expected loss is recognised in the income statement.

The following tables show the expected credit loss allowance calculated on trade receivables "credit impaired" and the aging against the expected credit loss allowance calculated on trade receivables "not credit impaired", according to the application of the Group's accounting policies:

December 31, 2023 (Thousand Euro)	**Not Credit Impaired**	**Credit Impaired**	**Total**
Trade receivables, gross	93'641	5'276	**98'917**
Expected Credit Loss allowance	(1'649)	(2'617)	**(4'266)**

TRADE RECEIVABLES AGING (NOT CREDIT IMPAIRED)

December 31, 2023 (Thousand Euro)	**Total**	**Not past due**	**0-30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**181-360 days**	**Over 360 days**
Trade receivables (not credit impaired), gross	**93'641**	62'134	12'570	6'806	4'232	5'256	1'903	740
Expected Credit Loss rate (%) *		0.2%	0.8%	1.9%	2.5%	8.9%	24.6%	31.6%
Expected Credit Loss allowance	**(1'649)**	(147)	(97)	(128)	(106)	(469)	(468)	(234)

* Expected Credit Loss rates are estimated based on historical credit loss experience, adjusted to reflect current conditions, estimates of future economic conditions and macroeconomic factors in each of the countries where the Group operates.

December 31, 2022 (Thousand Euro)	**Not Credit Impaired**	**Credit Impaired**	**Total**
Trade receivables (credit impaired), gross	78'000	2'406	**80'406**
Expected Credit Loss allowance	(872)	(1'577)	**(2'449)**

TRADE RECEIVABLES AGING (NOT CREDIT IMPAIRED)

December 31, 2022 (Thousand Euro)	**Total**	**Not past due**	**0-30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**181-360 days**	**Over 360 days**
Trade receivables (not credit impaired), gross	**78'000**	57'380	11'066	3'320	2'160	2'364	953	757
Expected Credit Loss rate (%) *		0.2%	0.6%	1.4%	2.0%	7.7%	23.1%	29.4%
Expected Credit Loss allowance	**(872)**	(90)	(69)	(45)	(43)	(183)	(220)	(222)

* Expected Credit Loss rates are estimated based on historical credit loss experience, adjusted to reflect current conditions, estimates of future economic conditions and macroeconomic factors in each of the countries where the Group operates.

The following table summarises the movements in the loss allowance for expected credit losses:

(Thousand Euro)	2023	2022
BALANCE AS AT JANUARY 1	**(2'449)**	**(2'552)**
Change in loss allowance and write-offs	(1'998)	(59)
Utilisation of loss allowance	205	226
Exchange differences	(24)	(64)
TOTAL LOSS ALLOWANCE ON TRADE RECEIVABLES AS AT DECEMBER 31	**(4'266)**	**(2'449)**

"Change in loss allowance and write-offs" in 2023 amount to Euro 1'998 thousand (compared to Euro 59 thousand in 2022). The change is related to loss allowances recognised both on "credit impaired" trade receivables, due to some specific evaluations made on customers, and on the increase of expected credit losses resulting from the application of the "lifetime ECL simplified approach", as a result of a general increase of Trade Receivables and of over 90 days overdue receivables.

6.14 OTHER CURRENT ASSETS AND PREPAID EXPENSES

(Thousand Euro)	31.12.2023	31.12.2022
Other tax receivables	6'501	6'445
Advance to suppliers	1'413	1'949
Prepaid expenses	3'790	3'183
Other receivables	345	763
TOTAL OTHER CURRENT ASSETS AND PREPAID EXPENSES	**12'049**	**12'340**

Other tax receivables are mainly represented by VAT credits. Prepaid expenses mainly consist of operating expenses (e.g. maintenance, insurance, licences) incurred during the year but attributable to the subsequent year.

6.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following items:

(Thousand Euro)	31.12.2023	31.12.2022
Cash on hand	31	133
Cheques	449	-
Current bank accounts	20'312	32'128
TOTAL CASH AND CASH EQUIVALENTS	**20'792**	**32'261**

Bank accounts and term deposits are mainly denominated in CHF, EUR and USD. For details of the movements in cash and cash equivalents refer to the Consolidated Statement of Cash Flows.

6.16 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 authorised and fully paid by the ultimate shareholders.

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.

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.

The Board of Directors proposes to the Annual General Meeting of Medacta Group SA on May 7, 2024, a distribution of CHF 11.0 million (CHF 0.55 per share), half of it as dividend out of retained earnings and half of it out of the total of reserves from capital contribution. All the remaining retained earnings as well as accumulated reserves from capital contributions will be carried forward.

TREASURY SHARES

In 2021 Medacta Group SA, following the approval of a Long-Term Incentive Plan for our Group Executive Management and selected key managers and employees, started 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 December 31, 2023 the number of treasury shares amounted to 72'500 (39'857 as of December 31, 2022), corresponding to CHF 8'070'713 equivalent to Euro 8'070 thousand (CHF 4'272'340 equivalent to Euro 4'159 thousand as of December 31, 2022).

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.

6.17 FINANCIAL AND LEASE LIABILITIES

FINANCIAL LIABILITIES

The following table summarises the composition of Financial liabilities:

FINANCIAL LIABILITIES

(Thousand Euro)	31.12.2023	31.12.2022
Bank loans and credit facilities, current	46'421	6'619
Other current financial liabilities	503	472
TOTAL FINANCIAL LIABILITIES, CURRENT	**46'924**	**7'091**
Bank loans, non-current	114'806	135'896
Other non-current financial liabilities	1'281	1'696
TOTAL FINANCIAL LIABILITIES, NON-CURRENT	**116'087**	**137'592**
TOTAL FINANCIAL LIABILITIES	**163'011**	**144'683**
Total secured bank loans	21'027	20'267
Total non-secured bank loans	140'200	122'248

As of December 31, 2023, financial liabilities include bank loans and credit facilities for a total amount of Euro 161'227 thousand (Euro 142'515 thousand as of December 31, 2022). The net change is primarily related to proceeds from borrowings (amounting to Euro 30'476 thousand) to finance investments, operating activities and the payment of dividends. The repayments in 2023 amount to Euro 16'816 thousand. As of December 31, 2023, current bank loans and credit facilities amounted to Euro 46'421 thousand (Euro 6'619 thousand as of December 31, 2022), non-current bank loans amounted to Euro 114'806 thousand (Euro 135'896 thousand as of December 31, 2022). The increase in current financial liabilities is mainly due to the end of the amendment term signed in 2022 that extended payment terms of some bank loans and credit facilities until 2024.

Bank loans reflect credit and loan facilities with third party financial institutions and are recognised at amortised cost using the effective interest method. The interest rates on these facilities are floating and based on internal bank refinancing rate + Spread of between 0.75% and 1.00%.

Certain of the credit agreements include financial covenants requiring Medacta International SA to maintain a debt to EBITDA ratio of no more than 3.0x (as defined in the relevant agreement), a pari passu clause, and various negative covenants restrictions, among other things (and typically subject to certain exceptions): the incurrence of further indebtedness, the granting of security for indebtedness, and the consummation of certain acquisitions, disposals or re-organisations.

As of December 31, 2023 and 2022, the Group had unused current credit lines of Euro 115'668 thousand and Euro 109'316 thousand, respectively.

As of December 31, 2023, "Other financial liabilities" refers to the contractual liabilities for the acquisition of exclusive rights to use and develop technologies for a total amount of Euro 1'784 thousand (Euro 2'168 thousand in 2022), of which Euro 1'281 thousand within "Other non-current financial liabilities" (Euro 1'696 thousand in 2022) and Euro 503 thousand within "Other current financial liabilities" (Euro 472 thousand in 2022).

The following table provides the breakdown of financial liabilities by currency:

(Thousand Euro)	31.12.2023	31.12.2022
Australian Dollar (AUD)	-	1'910
Euro (EUR)	-	2'500
Japanese Yen (JPY)	10'148	3'206
Swiss Franc (CHF)	141'808	89'507
US Dollar (USD)	11'055	47'560
TOTAL FINANCIAL LIABILITIES	**163'011**	**144'683**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Thousand Euro)	Non-current financial debts	Current financial debts	Total
BALANCE JANUARY 1, 2023	**137'592**	**7'091**	**144'683**
Increase in financial debts *	3'089	27'387	30'476
Repayment of financial debts **	(13'188)	(4'384)	(17'572)
Reclass from non-current to current	(14'644)	14'644	-
Currency translation differences	3'238	2'186	5'424
BALANCE DECEMBER 31, 2023	**116'087**	**46'924**	**163'011**

* "Increase in financial debts" includes proceeds from borrowings amounting to Euro 30'476 thousand.

** "Repayment of financial debts" includes repayment of borrowings for Euro 16'816 thousand, Euro 503 thousand related to the repayment of contractual liabilities for the acquisition of development intangible assets classified in the Consolidated Statement of Cash Flow within "Purchase of intangible assets" within cash flow from investing activities.

(Thousand Euro)	Non-current financial debts	Current financial debts	Total
BALANCE JANUARY 1, 2022	**49'552**	**64'486**	**114'038**
Increase in financial debts *	55'715	3'770	59'485
Repayment of financial debts **	(2'070)	(33'641)	(35'711)
Reclass from non-current to current	29'908	(29'908)	-
Currency translation differences	4'487	2'384	6'871
BALANCE DECEMBER 31, 2022	**137'592**	**7'091**	**144'683**

* "Increase in financial debts" includes proceeds from borrowings amounting to Euro 59'161 thousand and Euro 324 thousand related to the unpaid accrued interests.

** "Repayment of financial debts" includes repayment of borrowings for Euro 35'242 thousand, Euro 249 thousand related to the repayment of contractual liabilities for the acquisition of development intangible assets classified in the Consolidated Statement of Cash Flow within "Purchase of intangible assets" within cash flow from investing activities and Euro 220 thousand related to the payment of the Levante Medica asset purchase acquisition, presented in the Consolidated Statement of Cash Flow within "Cash consideration for acquisition, net of cash acquired".

LEASE LIABILITIES

Total lease liabilities amount to Euro 40'752 thousand as of December 31, 2023 (Euro 27'733 thousand in 2022), thereof Euro 8'613 thousand current (Euro 6'362 thousand in 2022) and Euro 32'139 thousand non-current (Euro 21'371 thousand in 2022). Maturity analysis of undiscounted lease liabilities less unearned interests is reported in the table below:

as at December 31, 2023 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Less: unearned interests	Total
Lease liabilities	9'744	25'882	10'051	(4'925)	**40'752**

as at December 31, 2022 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Less: unearned interests	Total
Lease liabilities	7'046	17'508	5'487	(2'308)	**27'733**

The table below shows the movement of lease liabilities for the years ended December 31, 2023 and December 31, 2022:

(Thousand Euro)	2023	2022
LEASE LIABILITIES AT JANUARY 1	**27'733**	**21'184**
Additions	20'660	12'716
Modifications, terminations, expirations	(73)	(23)
Repayment of lease liabilities	(8'825)	(7'146)
Exchange differences	1'257	1'002
LEASE LIABILITIES AT DECEMBER 31	**40'752**	**27'733**

The incremental borrowing rates used for IFRS 16 purposes have been defined based on the risk-free rates of the underlying countries, a company specific adjustment and an asset class weighted average incremental borrowing rate.

6.18 PROVISIONS

Provisions are mainly related to pending legal claims and accruals for indemnity to agents. The movements are as follows:

(Thousand Euro)	2023	2022
BALANCE AT JANUARY 1	**3'798**	**1'534**
Increases	333	5'724
Decreases	(70)	(3'493)
Exchange differences	1	33
BALANCE AT DECEMBER 31	**4'062**	**3'798**
Thereof current	120	120
Thereof non-current	3'942	3'678

In 2023 there are no significant changes in provisions. In 2022, "Increases" included the accruals for: the Italian payback scheme litigation, amounting to Euro 3'085 thousand; the patent matter with Conformis, amounting to Euro 2'208 thousand; the patent matter with RSB, amounting to Euro 332 thousand. "Decreases" were related to the payments according to the settlement agreements with the counterparts: Euro 2'914 thousand for the patent matter with Conformis; Euro 332 thousand for the patent matter with RSB; Euro 247 thousand for the settlement of product related liabilities.

6.19 EMPLOYEE BENEFIT OBLIGATION

DEFINED CONTRIBUTION PLANS

Medacta's employee plans include defined contribution pension plans in most of the countries where the Group operates. The employer's contributions, amounting to Euro 5'358 thousand in the year ended December 31, 2023 (2022: Euro 4'540 thousand), are recognised directly in the income statement.

DEFINED BENEFIT PLANS

In addition to the legally required social security schemes, the Group has several defined benefit plans and other post-employment benefit plans. The defined benefit obligations (DBOs) of the major pension plans and some of the most relevant other post-employment benefit plans are remeasured annually by independent actuaries.

The following table summarises the total employee benefit obligation by type as of December 31, 2023 and 2022:

AMOUNT RECOGNISED IN THE BALANCE SHEET

(Thousand Euro)	31.12.2023	31.12.2022
Defined benefit plan Switzerland	7'328	5'462
Retention plan Japan	1'714	732
Retention plan Switzerland	1'472	1'319
Retention plans Australia	817	600
Other plans	1'248	749
EMPLOYEE BENEFIT OBLIGATION	**12'580**	**8'862**

The discount rate utilised for the actuarial evaluation of the Switzerland defined benefit plan decreased from 2.3% as of December 31, 2022 to 1.5% as of December 31, 2023. As a consequence, the Group recognised a remeasurement of defined benefit obligations amounting to a loss of Euro 2'148 thousand in the Other Comprehensive Income mainly related to the change in the discount rate used to calculate the defined benefit obligations.

PENSION PLANS IN SWITZERLAND

The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The board of trustees is responsible for the risk management. The cash funding of these plans is designed to ensure that present and future contributions should be sufficient to meet future liabilities. The pension plans are financed by contributions of both, employees and employer. Contributions are defined by the plan regulations and cannot be decreased without amending the plan regulations. In mandatory pension funds the employer has to pay at least as much as the employees. The Swiss pension plan contains a cash balance benefit which is, in essence, contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of an asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing prospective benefits. Medacta pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts.

As of December 31, 2023, 949 employees (2022: 831 employees) and 7 beneficiaries (2022: 7 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 15.9 years (2022: 15.1 years).

The plan contains a cash balance benefit formula. Under Swiss law, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

The result of the Swiss benefit plan is summarised below:

AMOUNT RECOGNISED IN THE BALANCE SHEET

(Thousand Euro)	31.12.2023	31.12.2022
Present value of defined benefit obligations	(43'785)	(35'463)
Fair value of plan assets	36'457	30'001
EMPLOYEE BENEFIT OBLIGATION	**(7'328)**	**(5'462)**

REMEASUREMENT RECOGNISED IN EQUITY

(Thousand Euro)	2023	2022
BALANCE AT JANUARY 1	**(4'481)**	**487**
Remeasurement of defined benefit obligations	2'576	(8'057)
Return on plan assets excl. interest income	(428)	3'142
Exchange differences	(194)	(53)
BALANCE AT DECEMBER 31	**(2'527)**	**(4'481)**

COMPONENTS OF REMEASUREMENT OF DEFINED BENEFIT PLANS RECOGNISED IN OCI

(Thousand Euro)	31.12.2023	31.12.2022
Changes in financial assumptions	2'846	(8'905)
Changes in demographical assumptions	(37)	-
Experience adjustments	(233)	847
Return on plan assets excluding interest income	(428)	3'143
REMEASUREMENT OF DEFINED BENEFIT PLANS	**2'148**	**(4'915)**

In 2023, "Changes in financial assumptions" is mainly related to the change in the discount rate, which decreased from 2.3% in 2022 to 1.5% in 2023. In addition, the Group sets mortality assumptions after considering the most recent statistics practicable and uses generational mortality tables to estimate probable future mortality improvements, (BVG 2020 generation tables). According to these tables, the Group infers that the trend of increasing longevity will continue. "Experience adjustments", both in 2023 and in 2022, is mainly due to the combined effect of increase in workforce and higher insured salary and retirement assets.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

(Thousand Euro)	31.12.2023	31.12.2022
Current service cost	2'116	2'789
Past service cost	(866)	-
Participants' contributions	(2'101)	(1'748)
Administration cost	18	20
Net interest cost	128	19
TOTAL EMPLOYEE BENEFIT EXPENSES / (INCOME)	**(705)**	**1'080**

In 2023, the Group recognised an income amounting to Euro 866 thousand related to the past service costs, due to the introduction of the new conversion rate at the normal retirement age of 65 years (men/women) for retirements in 2025 or later, uniformly and entirely applied then to the total retirement savings capital for insured persons with year of birth of 1965 or younger. Because the average mandatory part of the retirement savings capital in the membership is substantial, this plan amendment results in a past service credit as of December 31, 2023.

The amounts recognised in the Consolidated Profit or Loss have been charged to:

- Cost of Sales - income amounting to Euro 346 thousand (expenses amounting to Euro 441 thousand in 2022);
- Research and Development - income amounting to Euro 100 thousand (expenses amounting to Euro 126 thousand in 2022);
- Sales and Marketing expenses - income amounting to Euro 165 thousand (expenses amounting to Euro 216 thousand in 2022);
- General and Administrative expenses - income amounting to Euro 222 thousand (expenses amounting to Euro 278 thousand in 2022);
- Financial costs amounting to Euro 128 thousand (Euro 19 thousand in 2022).

MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

(Thousand Euro)	2023	2022
BALANCE AT JANUARY 1	**35'463**	**37'827**
Interest cost	867	82
Current service cost	2'116	2'789
Contribution by plan participants	1'916	1'615
Benefits deposited/(paid), net	(884)	(573)
Past service cost	(866)	-
Administration cost	18	20
Actuarial (gain) / loss on defined benefit obligation	2'576	(8'057)
Exchange differences	2'579	1'760
PRESENT VALUE OF OBLIGATIONS AT DECEMBER 31	**43'785**	**35'463**

PLAN ASSETS

Plan assets are composed of the retirement assets, the mathematical reserve for annuities and the account balances of the AXA-Winterthur. The plan assets are composed exclusively of quoted instruments:

PLAN ASSETS

(Thousand Euro)	31.12.2023	31.12.2022
Cash and cash equivalents	1'123	1'221
Equity instruments	17'588	14'512
Debt instruments (e.g. bonds)	15'644	12'731
Others	2'102	1'537
TOTAL	**36'457**	**30'001**

MOVEMENT IN THE FAIR VALUE OF THE PLAN ASSETS

(Thousand Euro)	2023	2022
BALANCE AT JANUARY 1	**30'001**	**28'901**
Interest income on plan asset	739	62
Employer's contributions paid	2'101	1'748
Participants' contributions	1'916	1'615
Benefits deposited/(paid), net	(884)	(573)
Return on plan assets excluding interest income	428	(3'142)
Exchange differences	2'156	1'390
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**36'457**	**30'001**

The principal actuarial assumptions are as follows:

	31.12.2023	31.12.2022
Discount rate	1.5%	2.3%
Future salary increase	1.0%	1.0%
Interest rate on retirement saving capital *	1.5%	2.3%
Mortality	BVG2020GT	BVG2020GT

* Medacta is applying risk sharing.

The following sensitivity analysis shows how the present value of the benefit obligation for the Swiss retirement benefit plan would change if one of the principal actuarial assumptions were changed. Changes in the aforementioned actuarial assumptions can result in significant volatility in the accounting for the Group's pension plans in the consolidated financial statements. For the analysis, changes in the assumptions were considered separately and no interdependencies were taken into account. There was no change in the approach compared with last year.

SENSITIVITY ANALYSIS – DEFINED BENEFIT OBLIGATION

(Thousand Euro)	31.12.2023	31.12.2022
DISCOUNT RATE		
Discount rate + 0.25%	42'131	34'202
Discount rate - 0.25%	45'562	36'818
SALARY GROWTH		
Salary growth + 0.25%	44'161	35'757
Salary growth - 0.25%	43'421	35'177
INTEREST RATE GROWTH		
Interest rate growth + 0.25%	44'516	36'063
Interest rate growth - 0.25%	43'077	34'882
LIFE EXPECTANCY		
Life expectancy + 1 year	44'337	35'847
Life expectancy - 1 year	43'229	35'074

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2023 by Libera AG. To determine the present value of the defined benefit obligation and the related current service cost and, where applicable, past service cost, the Projected Unit Credit Method has been used.

This method is based on the amount of working years at the date of the actuarial valuation and considers the future by including:

- a discount rate;
- the salary development and leaving probability up to the beginning of the benefit payment;
- inflation adjustments for the years after the first payment for recurring benefits.

The plan in Switzerland typically exposes the Group to actuarial risks such as: interest rate risk, longevity risk and salary risk.

The Group expects to make a contribution of Euro 2.4 million to the defined benefit plans during the next Financial Year 2024.

INTEREST RATE RISK

The rate used to discount post-employment benefit obligations has been determined by reference to market yields at the balance sheet date on high quality corporate bonds.

A decrease in the bond interest rate will increase the plan liability.

LONGEVITY RISK

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants, both during and after their employment.

An increased life expectancy of the plan participants will increase the plan's liability.

SALARY RISK

Salary increase is Company specific. The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants.

As such, an increase in the salary of the plan participants will increase the plan's liability.

OTHER NON-CURRENT EMPLOYEE BENEFITS

The Group has programs in Switzerland, Australia, Japan, Austria, France and in the United States. These programs amounted to Euro 5'251 thousand as of December 31, 2023 (2022: Euro 3'400 thousand). Major retention plans are in Switzerland, Australia and Japan.

In Switzerland, the retention plan consists of an additional bonus for some eligible employees; in Australia, the other non-current employee benefit plans consist in a retention plan for some eligible employees, and in a long-service leave program for workers who have completed ten years of continuous service with the employer; in Japan, the retention plan provides that upon retirement each member will receive a lump sum determined by the years that the worker was employed.

6.20 SHARE-BASED PAYMENT TRANSACTIONS

In 2021 the Board of Directors implemented a Performance Share Plan ("The Plan"). On March 16, 2023, the Board of Directors approved the implementation of the LTIP proposed by the Human Resources & Remuneration Committee, under the Performance Share Plan ("the Plan"), that was open to eligible participants starting in April, 2023. The Board is responsible for administering and executing the Plan and has full power to construe and interpret the Plan, establish and amend rules and regulations for its administration, and perform all other actions relating to the Plan.

The LTIP is an incentive measured over a rolling three-year performance period with the purpose of fostering long-term value creation for the Group. Eligible plan participants will be granted a certain number of Performance Share Units (PSUs), which represent a contingent entitlement to receive Medacta shares in the future. The number of granted PSUs will depend on the individual LTIP grant level, individually determined by the Board of Directors each year based on the individual's performance, the position, complexity of the function, and level of responsibility. For members of the Group Executive Management, the number of PSUs will be subject to the amounts approved at the applicable AGM. The number of PSUs that vest for a specific participant is calculated at the Vesting Date by multiplying the number of granted PSUs by the Final Vesting Multiple, rounded up to the next whole Share. Ultimately, the number of PSUs which vest shall be determined by the Board or a body designated by the Board in a final, conclusive and binding manner. The Final Vesting Multiple equals either Group Vesting Multiple (see description below) or Country Vesting Multiple (see description below), whereas the latter applies if all of the following three conditions are met:

- Group Vesting Multiple is below 0.30;
- the respective Participant is eligible for country performance consideration;
- the country performance threshold has been met for the entire duration of the plan.

The Group Vesting Multiple is based upon a 50% weighting of the Relative TSR Vesting Multiple and a 50% weighting of the Absolute EBIT Vesting Multiple, rounded off to two decimal places, whereby:

- the Absolute TSR Vesting Multiple is calculated as the (positive or negative) difference between Medacta's TSR and the SPI Extra Total Return TSR10, measured in percentage points (p.p.). Medacta's TSR is measured considering the compound annual growth rate of the Reference Price Ending compared to the Reference Price Beginning over the three (3)-year TSR Performance Period and the accumulative, nominal dividends distributed in the same period. To be consistent with the index, it is assumed that dividends are reinvested. The Relative TSR Vesting Multiple cannot be lower than 0.00 or higher than 2.00;
- the Absolute EBIT Vesting Multiple is calculated based on the EBIT of the Group measured as the sum of the absolute EBIT over the three (3)-year Absolute EBIT Performance Period and calculated by the Board or a body designated by it, according to the Absolute EBIT Vesting Multiple table. The Absolute EBIT Multiple cannot be lower than 0.00 or higher than 2.00. The Country Vesting Multiple (if relevant) is calculated based upon a 100% weighting of the respective country's revenues and will be either 0.00 or 0.30. For each country, details with regards to performance measure, performance targets, performance period and performance calculation are set out in the Allotment Certificate.

Overall, the combined vesting multiple is expected to never exceed 200%.

The expense recognised for share-based payments in 2023 is equal to Euro 2'312 thousand (Euro 1'148 thousand in 2022).

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS	2023	2022
TOTAL AT JANUARY 1	**41'554**	**20'226**
Granted	27'948	22'175
Exercised	-	-
Forfeited	(1'014)	(847)
TOTAL AT DECEMBER 31	**68'488**	**41'554**
Exercisable at December 31	-	-

In 2023, 27'948 PSUs were granted under the LTIP (2022: 22'175). The total fair value has been determined using a Monte Carlo simulation algorithm and amounts to CHF 107.83 (2022: CHF 116.27).

Underlying assumptions for the fair value of the PSUs are presented below:

INPUTS TO THE MODEL	Award Cycle 2023	Award Cycle 2022	Award Cycle 2021
Dividend yield (in %)	-	-	-
Expected volatility (in %)	39.70%	41.14%	42.32%
Risk-free interest rate (in %)	-	-	-
Expected life of PSUs (in years)	3	3	3
Share price (in CHF) at grant date in April	100.52	114.72	104.74
Fair value (in CHF)	107.83	116.27	101.47

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the instruments is indicative of future trends, which may not necessarily be the actual outcome.

6.21 OTHER LIABILITIES

The following table shows a breakdown of other liabilities as of 31 December 2023 and 2022:

(Thousand Euro)	31.12.2023	31.12.2022
Liabilities to tax authorities	97	189
Legal matters	2'652	4'388
Other	216	72
TOTAL OTHER NON-CURRENT LIABILITIES	**2'965**	**4'649**
Liabilities to tax authorities	7'438	9'422
Liabilities to social security	4'023	2'933
Other debts towards employees	1'071	1'198
Legal matters	1'812	1'869
Other	408	93
TOTAL OTHER CURRENT LIABILITIES	**14'752**	**15'515**

Other non-current liabilities amount to Euro 2'965 thousand as of December 31, 2023 (Euro 4'649 thousand in 2022). The decrease is mainly related to the repayment, amounting to Euro 1'850 thousand, of the instalments due in the year arising from the settlement agreement signed with MicroPort in 2021.

Other current liabilities are in line with last year because of the decrease of liabilities to tax authorities, partially offset by the increase of liabilities to social security.

6.22 TRADE PAYABLES

Trade payables, amounting to Euro 38'851 thousand (2022: Euro 28'480 thousand), mainly consist of commercial payables due within 12 months. The increase is consistent with the reported growth of revenues and is mainly related to the Group's normal production activities.

6.23 ACCRUED EXPENSES AND DEFERRED INCOME

(Thousand Euro)	31.12.2023	31.12.2022
Consulting fees	3'964	4'915
Royalties and commissions due	8'676	6'996
Accrued vacation expenses	3'975	3'688
Accrued bonuses	18'103	12'396
Assurances	309	215
Other accrued expenses/deferred income	5'134	3'284
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**40'161**	**31'494**

6.24 INFORMATION ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

6.24.1 ANALYSIS OF REVENUE

The following table presents revenue of the Group's product lines for the years ended December 31, 2023 and 2022 respectively:

(Thousand Euro)	31.12.2023	31.12.2022
Hip	229'779	203'588
Knee	198'322	164'477
Shoulder	34'123	26'284
Spine	46'375	41'536
Sportsmed	2'174	1'237
Other	5	
TOTAL	**510'778**	**437'122**

6.24.2 ANALYSIS OF EXPENSES

PERSONNEL EXPENSES

Personnel expenses as of December 31, 2023 and 2022 are as follows:

(Thousand Euro)	31.12.2023	31.12.2022
Wages and salaries	132'511	112'417
LTIP Employee benefit expense	2'312	1'148
Social security costs	16'293	13'472
Pension costs and other personnel expense	10'915	9'948
TOTAL PERSONNEL EXPENSES	**162'031**	**136'985**

The recognition of the personnel expenses by function is as follows:

PERSONNEL EXPENSES BY FUNCTION

(Thousand Euro)	31.12.2023	31.12.2022
Cost of Sales	23'997	20'542
Research and Development expenses	5'478	4'727
Sales and Marketing expenses	91'275	75'825
General and Administrative expenses	41'281	35'891
TOTAL PERSONNEL EXPENSES BY FUNCTION	**162'031**	**136'985**
AVERAGE NR OF EMPLOYEES DURING THE YEAR	**1'634**	**1'439**

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, Amortisation and Impairment, a December 31, 2023 and 2022 are as follows:

(Thousand Euro)	31.12.2023	31.12.2022
Cost of Sales	39'566	34'048
Research and Development expenses	8'598	8'386
Sales and Marketing expenses	4'298	3'905
General and Administrative expenses	5'980	5'171
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT BY FUNCTION	**58'442**	**51'510**

Impairment included in line Research and Development is equal to Euro 791 thousand in 2023 (Euro 517 thousand in 2022). See Note 6.9 "Goodwill and intangible assets", paragraph "Impairment test for intangible assets".

GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative expenses as of December 31, 2023 and 2022 are composed of the following expense categories:

(Thousand Euro)	31.12.2023	31.12.2022
Personnel expenses	41'281	35'891
Depreciation and amortisation	5'980	5'171
Consulting expenses	6'467	9'578
Business and administrative expenses (i.e. insurance, maintenance, BoD and audit fees)	10'653	9'288
Provisions	-	2'610
Travel and accommodation	870	614
Various taxes	1'007	1'062
Miscellaneous expenses	1'074	1'233
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE	**67'332**	**65'447**

In 2023 "Consulting expenses" include: approximately Euro 1'206 thousand (Euro 2'051 thousand in 2022) of legal expenses and Euro 5'261 thousand (Euro 7'527 thousand in 2022) related to clinical studies, IT, Tax and other consulting expenses.

In 2022, "Provisions" was mainly related to the costs recognised in the year for the settlement of legal claims with Conformis and RSB, respectively equal to Euro 2'207 thousand and Euro 332 thousand.

RESEARCH AND DEVELOPMENT EXPENSES

Research and Development costs that are not eligible for capitalisation have been expensed in the period incurred and they are recognised in Research and Development expenses along with amortisation and impairment, for a total amount in 2023 of Euro 20'318 thousand (Euro 16'223 thousand in 2022).

Development costs eligible for capitalisation amounts to Euro 8'335 thousand in 2023 and Euro 6'659 thousand in 2022.

6.24.3 OTHER INCOME / (EXPENSES)

Other income amount to Euro 2'150 thousand as of December 31, 2023 (Euro 1'570 thousand in 2022) and are mainly related to miscellaneous expenses rebilled to third parties.

Other expenses amount to Euro 1'233 thousand as of December 31, 2023 (Euro 4'098 thousand in 2022) and include Euro 515 thousand (Euro 498 thousand in 2022), related to contributions made to non-profit organisations. In 2022, other expenses included a provision in relation to the Italian payback on medical devices (see Note 6.25 "Litigations"), amounting to Euro 3'085 thousand.

6.24.4 FINANCIAL INCOME/(COSTS)

FINANCIAL INCOME

(Thousand Euro)	31.12.2023	31.12.2022
Gain on revaluation of financial instruments at fair value through profit or loss	1'472	-
Interest income loans and receivables	103	348
Foreign exchange gains	6'341	2'483
TOTAL FINANCIAL INCOME	**7'916**	**2'831**

Financial income as of December 31, 2023 includes realised and unrealised foreign exchange gains for Euro 6'341 thousand (Euro 2'483 thousand in 2022) and a gain on revaluation of financial instruments at fair value through profit or loss for Euro 1'472 thousand.

FINANCIAL (COSTS)

(Thousand Euro)	31.12.2023	31.12.2022
Interest on loans and borrowings	(5'626)	(3'167)
Losses on revaluation of financial instruments at fair value through profit or loss	-	(381)
Foreign exchange losses	(16'803)	(5'459)
Interest expense on lease contracts	(1'204)	(496)
TOTAL FINANCIAL (COSTS)	**(23'633)**	**(9'503)**
TOTAL FINANCIAL INCOME/(COSTS), NET	**(15'717)**	**(6'672)**

Interest on loans and borrowings increased by Euro 2'459 thousand from Euro 3'167 thousand in 2022 to Euro 5'626 thousand in 2023, primarily as a result of the increase in interest rates.

In 2023 no losses were recognised about the revaluation of financial instruments at fair value through profit or loss due to the positive trend of the financial assets (Euro 381 thousand in 2022).

During the course of the year the Group suffered the negative effects of unfavourable exchange rates trend, resulting in foreign exchange losses for Euro 16'803 thousand in 2023 compared to Euro 5'459 thousand in 2022.

In 2023, interest expenses on lease contracts increased to Euro 1'204 thousand (from Euro 496 thousand in 2022) mainly due to the additions recognised in Right-of-use assets, relating in particular new buildings and new machineries. For further details, please refer to Note 6.8 "Leases".

6.25 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 wilful. 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 in the very early stages, and fact discovery is just beginning. They parties have exchanged initial discovery responses and initial contentions, but no depositions have been taken by either side. Fact discovery is set to close on September 27, 2024, and trial has been tentatively set for July 28, 2025. Medacta believes the accused products do not infringe the patents-in-suit and that these patents are invalid.

The case is still pending and at this stage of the proceedings, we are unable to conclude that 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 wilful. The parties have discussed an early resolution of the lawsuit, with the plaintiff making different settlement demands, and Medacta USA making a counteroffer. A settlement agreement for 20'000 USD has been signed in January 2024 and the case should be dismissed soon.

ITALIAN PAYBACK SCHEME LITIGATION

In 2011, during a period of severe crisis in the Italian economy the payback scheme was introduced, a mechanism to obtain from suppliers a contribution to offset variances occurring when Italian government expenditures exceed their ceiling for the purchase of medical devices. Such a measure was similar to the payback scheme introduced in 2008 in relation to overruns of the pharmaceutical expenditure ceiling, which for many years has been the subject of legal disputes that have often led to its significant containment.

At the end of September 2022, three measures had been issued in Italy:

- article 18 of Law Decree 115/2022, known as the "Aiuti bis" decree, converted into Law 142/2022, gave the starting signal for the payback procedure and set out its timeframe;
- a decree of the Ministry of Health in agreement with the Ministry of Economics and Finance, dated July 6, 2022 and published in the Official Gazette of September 15, 2022. This certifies the spending overrun for medical devices at a national and regional level for the years 2015-2018, by approximately Euro 2 billion;
- a decree of the Ministry of Health in agreement with the Ministry of Economics and Finance, dated October 6, 2022 and published in the Official Gazette of October 26, 2022. This decree provides for the guidelines for the issuance of the regional measures for the 2015-2018 medical device payback rules.

There are strong doubts as to the legitimacy of the payback system for medical devices overall, especially in terms of the retroactivity of the measures, numerous critical issues in the application of the rules and in relation to possible calculation errors. Medacta legal representation, along with all the Italian Medical devices associations, decided to appeal the Decree of the Ministry of Health dated October 6, 2022 and the consequent deeds of the Regions. In September 2023, the Regional Administrative Court of Lazio (TAR Lazio) upheld all Medacta requests of suspension of the effects of Regional measures.

Following the first hearing on the merits on October 24, 2023, the Lazio Regional Administrative Court published an initial order in which it ordered the referral the referral of the issue of constitutional legitimacy of the payback legislation to the Constitutional Court. This decision affects all appeals pending in the Regional Administrative Courts, whose determination on the merits will depend on the decision of the Constitutional Court.

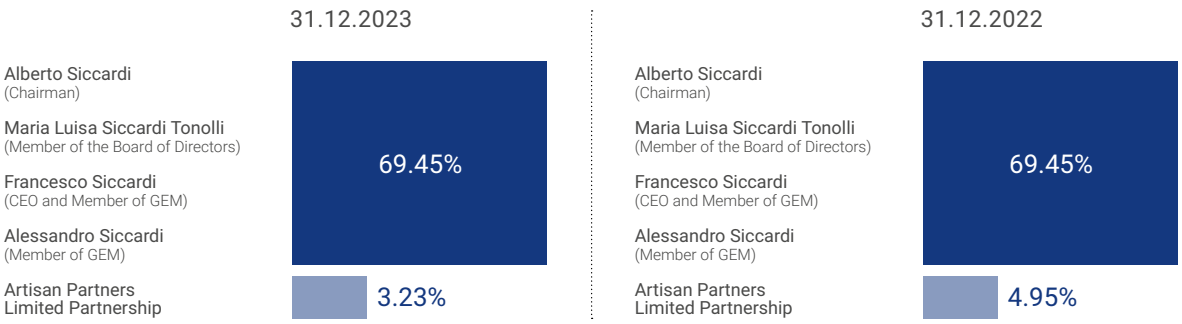
In Medacta's case, the challenged measures have been suspended on remand and Medacta therefore does not expect any new developments (and further payback claims) until the Court rules (potentially in 2024).

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

6.26 RELATED PARTY TRANSACTIONS

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

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



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

In 2023 Medacta International made contributions to Medacta for Life Foundation for Euro 515 thousand (Euro 498 thousand in 2022), a non-profit organisation 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 1'583 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 year 2023 are recognised in the General and Administrative expense line item for an amount equal to Euro 28 thousand (in 2022 Euro 24 thousand).

During 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.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The following table shows the compensation of Key Management Personnel recognised in Profit or Loss in line with the Group's accounting policies.

(Thousand Euro)	31.12.2023	31.12.2022
Fees, salaries and other short-term benefits	3'122	2'933
Post-employment pension and medical benefits	344	308
Share-based payments	334	172
TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL	**3'800**	**3'413**

Key Management Personnel comprises of the Board of Directors and the Group Executive Management (GEM). The compensation of the GEM consists of a fixed portion and variable portion, which depends on the course of business and individual performance.

6.27 EARNINGS PER SHARE

Basic earnings per share is calculated as the profit for the year 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.

	31.12.2023	31.12.2022
Net profit attributable to shareholders (in Euro thousand)	47'362	46'249
Weighted average number of ordinary shares outstanding	19'951'944	19'977'035
BASIC EARNINGS PER SHARE (in Euro)	**2.37**	**2.32**

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

	31.12.2023	31.12.2022
Net profit used to determine diluted earnings per share (in Euro thousand)	47'362	46'249
Weighted average number of ordinary shares outstanding	19'951'944	19'977'035
Adjustments for performance stock units issued	39'787	18'927
Weighted average number of ordinary shares for diluted earnings per share	19'991'731	19'995'962
DILUTED EARNINGS PER SHARE (in Euro)	**2.37**	**2.31**

6.28 ATYPICAL AND/OR UNUSUAL OPERATIONS

The Group did not carry out any atypical and/or unusual operations.

6.29 CONTINGENCIES AND COMMITMENTS

The Group, as of December 31, 2023, contracted purchase commitments, mainly relating the acquisition of instruments, for a total amount of Euro 25.3 million (Euro 28.4 million in 2022).

As of December 31, 2023, tangible fixed assets for a total amount of Euro 21'027 thousand (2022: Euro 20'267 thousand) have been pledged as collateral for borrowing facilities.

The Group as of December 31, 2023 and 2022 had unused current credit lines of Euro 115'668 thousand and Euro 109'316 thousand, respectively.

6.30 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 December 31, 2023.

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

EXCHANGE RATES

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	
	2023	2022	31.12.2023	31.12.2022
CHF	1.0297	0.9955	1.0768	1.0108
GBP	1.1499	1.1736	1.1533	1.1303
AUD	0.6145	0.6597	0.6171	0.6366
USD	0.9250	0.9505	0.9061	0.9344
JPY	0.0066	0.0073	0.0064	0.0071
CAD	0.6853	0.7304	0.6839	0.6895

7. AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

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Report of the Statutory Auditor

To the General Meeting of
MEDACTA GROUP SA, CASTEL SAN PIETRO

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Medacta Group SA (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the consolidated financial statements (pages 118 to 170) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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Our Audit Approach

Summary	
Key audit matters	We identified the following key audit matters: - Capitalisation and measurement of development projects - Existence of inventory - Existence of instruments (Property, Plant and Equipment)
Materiality	Based on our professional judgement, we determined materiality for the Group as a whole to be at EUR 4 million.
Scoping	We defined six components operating in five countries to be in scope for group reporting purposes. The ratios of coverage for group total assets, group revenue, and group profit before tax are disclosed below.

Key Audit Matters

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

Capitalisation and measurement of development projects

Key audit matter	**How the scope of our audit responded to the key audit matter**
As described in Note 6.9 to the consolidated financial statements, the intangible assets balance amounts to EUR 51 million (2022: EUR 50 million), including development projects capitalised at 31 December 2023 amounting to EUR 38 million (2022: EUR 36 million). As described in Note 6.2 to the consolidated financial statements, the Group distinguishes between research costs, which are recognized in the statement of profit or loss as incurred, and development costs, which are capitalised provided that the technical and commercial feasibility of the asset has been established, the related costs can be measured reliably, and it can reasonably be expected that the costs will be recovered in the future. The costs relating to projects for which the development phase has been completed as of 31	We gained an understanding of the key controls relevant to the development projects process and the impairment process. We performed test of details, using statistical sampling method, on the projects capitalised during the year. We obtained technical information relating to the selected projects to verify whether the costs qualified as development costs. We analyzed the evidence obtained to evaluate the usefulness of the assets for the Group and we inquired about the Group's intention, as well as verified its ability to complete these projects. We furthermore inquired about the Group's assessment of the future economic benefits, and its intention to use or sell the assets.

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Capitalisation and measurement of development projects

Key audit matter	How the scope of our audit responded to the key audit matter
December 2023, are amortised over the useful life of the related products. Projects which are still in early phases of development as of the financial statement date are not amortised as they are considered as being intangible assets with indefinite useful life ("In Progress Development Projects"). Development projects are allocated to "Product Families" based on their purpose. Capitalisation of development projects requires the Group to apply judgement to evaluate whether the development expenditure incurred qualifies for recognition as an asset in accordance with IAS 38. Whenever there are indications of impairment, and at least once a year for "In Progress Development Projects", the Group tests these assets for impairment. For the impairment test of "In Progress Development Projects", the Group applies judgements and defines assumptions in areas such as revenue growth, estimates in connection with the "costs to complete" and WACC. For these projects, the impairment test is done at the level of "Product Families". Due to the significant amount of costs capitalised and the judgements applied by the Group, we consider the capitalisation and measurement of development projects to be a key audit matter.	In addition, we tested on a sample basis whether the costs for development projects were eligible for capitalization and whether the amounts were capitalised accurately. Furthermore, we verified the supporting evidence such as third-party invoices and salary costs of the development teams. We have involved internal valuation specialists to assist us in challenging the valuation model (i.e. validity of the methodology and its application, completeness, and mathematical accuracy) and the WACC applied. In addition, we have challenged the Group's judgements and assumptions used in its impairment model and we have tested their historical accuracy. We assessed the adequacy and completeness of the disclosures included in the accompanying consolidated financial statements (Notes 6.9). Based on the procedures performed, we obtained sufficient audit evidence to address the risks around capitalisation and measurement of development projects.

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Existence of inventory

Key audit matter	How the scope of our audit responded to the key audit matter
As described in Note 6.12 to the consolidated financial statements the balance of inventory amounts to EUR 214 million as of 31 December 2023 (2022: EUR 160 million). Inventory is mainly composed of prosthesis and implants. The inventory is held in warehouses and in consignment at the premises of Medacta's customers to ensure continuity of supply. Given the significant balance of inventory in relation to the Group's total assets, and the number of locations in which inventory is located, we consider the existence of inventory to be a key audit matter in our audit.	We assessed the appropriateness of the Group's process for inventory, including inventory counts procedures which are performed for inventory located at Medacta's premises and in consignment. As part of this work, we gained an understanding of the key controls relating to the existence of inventory. We also tested the operating effectiveness of the key controls. We have performed physical inventory counts for items selected through statistical sampling methods. Our work was performed in Switzerland, France, Australia, and in the USA. The counts also covered inventory in consignment. For locations where our participation in the inventory counts procedures performed by the Group was possible, we attended these and compared the results of our own work with the results of the counts performed by the Group. We assessed the adequacy and completeness of the disclosures included in the accompanying notes to the consolidated financial statements. Based on the procedures performed, we obtained sufficient audit evidence to address the risk of the existence of inventory.

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Existence of instruments

Key audit matter	How the scope of our audit responded to the key audit matter
As described in Note 6.7 to the consolidated financial statements, the balance of property, plant and equipment amounts to EUR 223 million as at 31 December 2023 (2022: EUR 188 million), including instruments for a net balance of EUR 130 million (2022: EUR 109 million). The instruments are held in warehouses and at Medacta's customers premises to ensure continuity of supply. Given the significant balance of instruments in relation to the Group's total assets, and the number of locations in which instruments are consigned, we consider the existence of instruments to be a key audit matter in our audit.	We assessed the appropriateness of the Group's process for instruments, including instruments counts procedures, which are done for instruments located at Medacta's premises and in consignment. As part of this work, we gained an understanding of the key controls relating to the existence of instruments. We also tested the operating effectiveness of the key controls. We have performed physical instruments counts for items selected through statistical sampling methods. Our work was performed in Switzerland, France, Australia, and in the USA. This work covered also instruments in consignment. For locations where our participation in the instruments counts procedures performed by the Group was possible, we attended these and compared the results of our own work with the results of the counts performed by the Group. When the performance of instruments counts was not possible because the instruments were held in a sterilised environment, we obtained confirmations from the hospitals and the clinics on the existence of the instruments in consignment. We assessed the adequacy and completeness of the disclosures included in the accompanying consolidated financial statements. Based on the procedures performed, we obtained sufficient audit evidence to address the risk of the existence of instruments.

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Our application of materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be at EUR 4 million (2022: EUR 3.5 million) which is 6.8% of profit before taxes (6.5% of profit before taxes in prior year) and 1.2% of equity (1.3% of equity in prior year).

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of EUR 0.2 million (2022: EUR 0.175 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the consolidated financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at six components. Three of these were subject to a full audit, whilst the remaining three were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risk of material misstatements and of the materiality of the group's operations at those locations. These six components represent the principal business units and account for 93% (2022: 94%) of the group's total assets, 72% (2022: 76%) of the group's revenue and 67% (2022: 77%) of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risk of material misstatements identified above. The audit work at the six components was executed at levels of materiality applicable to each individual component and were lower than group materiality, ranging from EUR 0.4 million to EUR 2.760 million (2022: EUR 0.360 million to EUR 2.430 million).

At the parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there was no significant risk of material misstatements of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Other Information

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

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

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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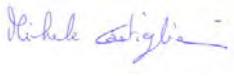
Report on Other Legal and Regulatory Requirements

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

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

Deloitte SA



Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Michele Castiglioni
Licensed Audit Expert

Lugano, 12 March 2024
FLU/MCA/jba

Medacta International

MEDACTA GROUP SA
STATUTORY FINANCIAL STATEMENTS

8. STATUTORY FINANCIAL STATEMENTS MEDACTA GROUP SA

BALANCE SHEET

ASSETS

(Swiss Francs)	Notes	31.12.2023	31.12.2022
Cash and cash equivalents		324'050	114'439
Short-Term receivables towards group companies	8.3.1	1'548'925	1'220'627
Accrued income and prepaid expenses	8.3.2	6'539'208	15'036'592
TOTAL CURRENT ASSETS		**8'412'183**	**16'371'658**
Investment in subsidiaries	8.3.3	135'510'583	135'510'491
Long-Term loans towards group companies	8.3.4	52'083'778	51'500'000
TOTAL NON-CURRENT ASSETS		**187'594'361**	**187'010'491**
TOTAL ASSETS		**196'006'544**	**203'382'149**

LIABILITIES AND EQUITY

(Swiss Francs)	Notes	31.12.2023	31.12.2022
Account payables		32'589	260'694
Deferred income and accrued expenses		2'787'339	1'739'351
Other current liabilities		274'540	439'566
TOTAL CURRENT LIABILITIES		**3'094'468**	**2'439'611**
TOTAL NON-CURRENT LIABILITIES		**-**	**-**
Share capital	8.3.5	2'000'000	2'000'000
General capital reserve		131'000'000	131'000'000
Capital contribution reserve	8.3.6	12'781'598	18'170'836
General legal reserve from earnings		1'000'000	1'000'000
Treasury Shares reserve	8.3.7	(8'070'713)	(4'272'340)
Retained earnings brought forward	8.3.8	47'654'804	38'312'165
Profit for the year		6'546'387	14'731'878
TOTAL SHAREHOLDER'S EQUITY		**192'912'076**	**200'942'538**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**196'006'544**	**203'382'149**

INCOME STATEMENT

(Swiss Francs)	Notes	31.12.2023	31.12.2022
Dividend income	8.3.9	6'500'000	15'000'000
Interest Income	8.3.10	1'216'226	500'048
Other Revenues	8.3.11	4'372'117	3'417'323
TOTAL REVENUE		**12'088'343**	**18'917'371**
Personnel costs		(4'276'476)	(3'175'964)
Legal and administrative expenses	8.3.12	(825'001)	(651'224)
Other expenses		(224'541)	(147'024)
TOTAL OPERATING COSTS		**(5'326'018)**	**(3'974'212)**
OPERATING PROFIT		**6'762'325**	**14'943'159**
Other financial costs		(124'103)	(22'281)
TOTAL FINANCIAL INCOME / (COSTS)		**(124'103)**	**(22'281)**
PROFIT BEFORE TAXES		**6'638'222**	**14'920'878**
Taxes	8.3.13	(91'835)	(189'000)
PROFIT FOR THE YEAR		**6'546'387**	**14'731'878**

8.1 GENERAL INFORMATION

Medacta Group SA (the "Company"), with its legal office in Castel San Pietro, is a public company listed at the SIX Swiss Stock Exchange.

The Company is presenting consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), in compliance with articles 963 and following of the Swiss Code of Obligations (CO), subject to ordinary audit as per Swiss Law. Therefore, Medacta Group SA has applied the exemption included in article 961d, paragraph 1 SCO, and has not prepared additional disclosures.

As the parent company of the Medacta Group, the purpose of Medacta Group SA is to acquire, dispose of and manage investments in the field of orthopedics. The Company is mainly concerned with the strategic, financial and real estate management of the Group.

During 2023 and 2022 the number of full-time positions on annual average is less than 10.

8.2 ACCOUNTING PRINCIPLES

These Financial Statements have been prepared in compliance with the Swiss Code of Obligations (CO).

TRANSLATION OF FOREIGN CURRENCIES

The receivables and payables in foreign currencies are translated into Swiss Francs at the closing exchange rates.

All the transactions in foreign currencies occurred during the year are translated into Swiss Francs at the exchange rate prevailing in the day of the transaction.

RELATED PARTIES

Related parties primarily comprise subsidiaries, Members of the Board of Directors and significant shareholders. All transactions with those related parties are carried out in accordance with the arm's length principle.

INVESTMENT IN SUBSIDIARIES

The investment in subsidiaries is evaluated at acquisition costs, adjusted for impairment losses if any.

LONG-TERM LOANS

Loans towards group companies are evaluated at granted costs and adjusted for recovery risk if any.

TAXES

Taxes are accrued based on the annual profit and the taxable capital at the balance sheet date.

INCOME AND COSTS

The income and costs are recognised in accordance with the economic competence principle.

The dividends of the fiscal period have been recognised according to the principle of simultaneous registration of dividends.

Furthermore, the principles of realisation, of prudence, of imparity and of continuity are applied.

USE OF ESTIMATES AND JUDGEMENTS BY THE MANAGEMENT

The preparation of the annual financial statements in accordance with the Swiss Code of Obligations (CO) requires the use of accounting estimates and assumptions by the management, based on historical experience and other factors (such as anticipation of results and future events, where appropriate and based on all circumstances and in compliance with the accounting principles of reference). The key sources of estimation uncertainty are the following:

- Investment in subsidiaries;
- Deferred income and accrued expenses;
- Taxes.

8.3 INFORMATION, SPLIT AND EXPLANATIONS WITH REGARD TO ITEMS OF THE BALANCE SHEET AND THE INCOME STATEMENT

8.3.1 SHORT-TERM RECEIVABLES TOWARDS GROUP COMPANIES

Short-term receivables towards Group Companies amounted to CHF 1'548'925. The receivables are addressed to Medacta International SA for CHF 1'519'437 and Knnex Health Inc. for an amount equal to CHF 29'488.

8.3.2 ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses includes dividend from Medacta Holding SA for CHF 6'500'000 related to the result of the year 2023 (simultaneous registration of dividend) and insurance prepaid expenses.

8.3.3 INVESTMENT IN SUBSIDIARIES

The investment in subsidiaries is mainly referred to:

- Direct investment in subsidiaries:

Company	% of shares held December 2023	% of shares held December 2022	Registered office	Share Capital	31.12.2023
Medacta Holding S.A.	100%	100%	Castel San Pietro (CH)	1'026'010 CHF	135'510'490 CHF
Knnex Health Inc.	100%	100%	Wilmington - Delaware (US)	100 USD	93 CHF

- Indirect investment in subsidiaries:

Company	% of shares held December 2023	% of shares held December 2022	Registered office	Registered Capital
Medacta International SA	100%	100%	Castel San Pietro (CH)	1'000'000 CHF
Medacta Americas Operations Inc.	100%	100%	Wilmington - Delaware (US)	1 USD
Medacta Australia PTY Ltd	100%	100%	Lane Cove (AU)	4 AUD
Medacta Austria GmbH	100%	100%	Eugendorf (AT)	35'000 EUR
Medacta Belgium S.r.l.	100%	100%	Nivelles (BE)	18'550 EUR
Medacta Canada Inc.	100%	100%	Kitchener (CA)	100 CAD
Medacta España S.L.	100%	100%	Paterna (ES)	3'000 EUR
Medacta Europe Operations S.r.l.	100%	100%	Milan (IT)	100'000 EUR
Medacta France SAS	100%	100%	Nanterre (FR)	37'000 EUR
Medacta Germany GmbH	100%	100%	Göppingen (DE)	25'000 EUR
Medacta Italia S.r.l.	100%	100%	Milan (IT)	2'600'000 EUR
Medacta Japan Co. Ltd	100%	100%	Tokyo (JP)	25'000'000 JPY
Medacta UK Ltd	100%	100%	Hinckley (UK)	29'994 GBP
Medacta USA Inc.	100%	100%	Wilmington - Delaware (US)	1 USD

The participation held in the capital of the direct and indirect investment in subsidiaries corresponds to the relevant voting rights.

8.3.4 LONG-TERM LOANS TOWARDS GROUP COMPANIES

Long-term towards Group companies is referred to the interest-bearing loan towards Medacta International SA amounting to CHF 50'750'000 (2022 amounted to CHF 51'500'000) and Knnex Health Inc. equal to CHF 1'333'778.

8.3.5 SHARE CAPITAL

The share capital amounts to CHF 2'000'000 and is divided into 20'000'000 registered shares with a nominal value of CHF 0.10 each.

8.3.6 CAPITAL CONTRIBUTION RESERVE

During the year the Company distributed an amount of CHF 5'389'239. Following the 2023 repayment, the capital contribution reserve amounts to CHF 12'781'598. Capital contribution reserve was made up through cash contributions of CHF 6'450'000 and CHF 17'070'000 paid in 2019 by the majority shareholders to the Company for a total amount of CHF 23'520'000. Tax rulings have been received by Swiss federal tax authorities in order to recognise these cash contributions as qualifying capital contribution reserves (Kapitaleinlagereserve KER) in the sense of Swiss federal anticipatory (withholding) tax law. The final formal approval has been obtained by federal tax authorities in the year 2020.

8.3.7 TREASURY SHARES RESERVE

Own shares purchased as of December 31, 2023 amounted to 72'500 corresponding to CHF 8'070'713. In 2023 the Company purchased 32'643 own shares for the average price of around CHF 116.36 for CHF 3'798'373 (39'857 own shares in 2022 for the average price of around CHF 107.19 equal to CHF 4'272'340). The Shares are dedicated to satisfying the PSUs granted by the employees participating to the Long-Term Incentive Plan (LTIP) approved in March 2021. LTIP has a vesting period for a duration of 3 years. More detail at Note 6.16 "Medacta Group stockholders' equity" paragraph "Treasury shares".

8.3.8 RETAINED EARNINGS – DIVIDEND PAID OUT

On April 27, 2023 shareholders approved the distribution of CHF 10'778'478 equal to CHF 0.54 per share, half of it (corresponding to CHF 5'389'239) distributed as dividend out of available earnings and half of it distributed out of accumulated reserves from capital contribution reserve. Dividend was settled on May 4, 2023.

8.3.9 DIVIDEND INCOME

Dividend income accrued as of December 31, 2023 for CHF 6'500'000 refers to the 2023 dividend from the subsidiary Medacta Holding SA (simultaneous registration of dividend). Dividend accrued as of December 31, 2023 has not been cashed in as of the balance sheet date. The 2022 dividend income for CHF 15'000'000 was settled by Medacta Holding SA in April 2023.

8.3.10 INTEREST INCOME

Interest income amounted to CHF 1'216'226 in 2023 (CHF 500'048 in 2022). The increase is mainly due to the change in interest rate related to the financial loan towards Medacta International SA.

8.3.11 OTHER REVENUES

Other revenues amounting to CHF 4'372'117 as of December 31, 2023 (CHF 3'417'323 in 2022), is mainly related to the re-billing to Group's subsidiaries for an amount of CHF 4'366'900 (CHF 3'411'820 in 2022).

8.3.12 LEGAL AND ADMINISTRATIVE EXPENSES

Legal and administrative expenses is referred to the 2023 audit fees of the statutory and consolidated financial statements amounting to CHF 397'532 (CHF 307'650 in 2022) and to fiscal, legal and administrative fees amounting to CHF 427'469 (CHF 343'574 in 2022).

8.3.13 TAXES

The Company is subject to direct taxes on profit and capital. Taxes as of December 31, 2023 amount to CHF 91'835 (CHF 189'000 in 2022) out of which CHF 13'845 (CHF 131'000 in 2022) relates to capital tax and CHF 77'990 (CHF 58'000 in 2022) to profit.

8.4 OTHER INFORMATION NOT RESULTING FROM THE BALANCE SHEET OR THE INCOME STATEMENT

8.4.1 NET RELEASE OF REPLACEMENT RESERVES AND OTHER HIDDEN RESERVES

During the fiscal period no release or use of replacement reserves or other hidden reserves has taken place.

8.4.2 OWN SHARES

In 2023 Medacta Group SA purchased own shares as mentioned in the Note 8.3.7 "Treasury share reserve". Neither other Group Company nor the subsidiaries owned, held or purchased own shares of the Company during the fiscal period.

8.4.3 EQUITY INSTRUMENTS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The number of shares held by Board of Directors and Group Executive Management as of December 31, 2023 are mentioned in section 6 "Ownership of shares and options" of Remuneration Report.

8.4.4 RESIDUAL AMOUNT OF LIABILITIES RESULTING FROM LEASE COMMITMENTS

The Company has no lease agreement in force.

8.4.5 LIABILITIES TOWARDS PENSION INSTITUTIONS

Liabilities towards pension institutions as of December 31, 2023 amounts to CHF 14'279 (2022 CHF 126'987).

8.4.6 COLLATERALS, GUARANTEE LIABILITIES AND CONSTITUTION OF PLEDGES IN FAVOUR OF THIRD PARTIES

In order to guarantee the commitments undertaken by the affiliated Medacta International SA, as of December 31, 2023 the Company issued letters of patronage in favour of banking institutions for an amount of CHF 127'093'471 (2022: CHF 107'500'000).

8.4.7 ASSETS USED TO SECURE OWN LIABILITIES

The Company has not constituted pledges or collaterals on own assets to secure own liabilities.

8.4.8 CONTINGENT LIABILITIES

There are no contingent liabilities as at the balance sheet date.

8.4.9 SUBSCRIPTION OR OPTION RIGHTS

As of December 31, 2023, the Company neither owns nor has released subscription or option rights on its proper shares or on the shares of other group companies.

8.4.10 IMPORTANT SUBSEQUENT BALANCE SHEET DATE EVENTS

There have been no events occurring after the reported period which would have a material effect on the Medacta Group Financials as of December 31, 2023.

8.5 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Board of Directors proposes to the Annual General Meeting of Medacta Group SA on May 7, 2024 a distribution of CHF 10'960'125 (CHF 0.55 per share), half of it as dividend out of retained earnings and half of it out of the total of reserves from capital contribution. All the remaining retained earnings as well as accumulated reserves from capital contribution will be carried forward.

In deciding on the appropriation of dividends and the distribution of reserves from capital contribution, the Shareholders' General Meeting shall consider that the Company will not pay such distribution on treasury shares held by the Company.

8.6 PROPOSED APPROPRIATION OF THE AVAILABLE RETAINED EARNINGS

The Board of Directors proposes the following appropriation of the retained earnings:

(Swiss Francs)	31.12.2023	31.12.2022
Retained earnings brought forward	47'654'804	38'312'165
Profit for the year	6'546'387	14'731'878
RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION	**54'201'191**	**53'044'043**
DISTRIBUTION OF PROFIT		
Dividend paid out of the available earnings *	(5'480'063)	(5'389'239)
CARRY FORWARD RETAINED EARNINGS	**48'721'128**	**47'654'804**

* Depends on the number of dividend-entitled shares, max. 19'927'500 shares, as of December 31, 2023. The own shares held by Medacta Group SA are not entitled to the distribution of dividends.

8.7 PROPOSED APPROPRIATION OF RESERVES FROM CAPITAL CONTRIBUTION

The Board of Directors proposes the following appropriation of reserves from capital contribution.

(Swiss Francs)	2024	2023
RESERVE FROM CAPITAL CONTRIBUTION		
BALANCE JANUARY 1	**12'781'598**	**18'170'836**
Distribution of reserves from capital contribution *	(5'480'063)	(5'389'238)
CARRY FORWARD RESERVES FROM CAPITAL CONTRIBUTION	**7'301'535**	**12'781'598**

* The own shares held by Medacta Group SA are not entitled to the distribution out of reserves from capital contribution.

9. AUDIT REPORT – MEDACTA GROUP SA FINANCIAL STATEMENTS

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Report of the Statutory Auditor

To the General Meeting of
MEDACTA GROUP SA, CASTEL SAN PIETRO

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medacta Group SA (the Company), which comprise the balance sheet as at 31 December 2023, the statement of income for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 180 to 185) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

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

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Valuation of investments in subsidiaries and long-term Loans towards group companies

Key audit matter	How the scope of our audit responded to the key audit matter
As described in Notes 8.3.3 and 8.3.4 to the stand-alone financial statements, investments and long-term loans amount to CHF 188 million (2022: CHF 187 million), or represent 96% (2022: 92%) of total assets as at 31 December 2023. The Company assesses the valuation of its investments and long-term loans and determines potential impairment indicators on an individual basis, in accordance with the provisions of Swiss Law. Due to the significance of the carrying amount of the investments and long-term loans, and due to the judgement involved in the determination of potential impairments, this matter was considered as a key audit matter in our audit.	We have assessed the appropriateness of the Company's accounting policy for the valuation of investments and long-term loans. We gained an understanding of the key controls in connection with the valuation of investments and long-term loans. We challenged the assessment of impairment indicators made by the Company's management. We compared the carrying amount of the investments with the equity balances of the relevant entities. We challenged the recoverability of the long-term loans towards group companies. We have assessed the adequacy and completeness of the related disclosures. Based on the procedures performed, we obtained sufficient audit evidence to address the risk around valuation of investments and long-term loans.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

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

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA

Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Michele Castiglioni
Licensed Audit Expert

Lugano, 12 March 2024
FLU/MCA/jba

Medacta International

ADDITIONAL INFORMATION FOR INVESTORS

FINANCIAL CALENDAR

MAY 7 2024	JULY 26 2024	SEPTEMBER 25 2024
ANNUAL GENERAL MEETING	PUBLICATION OF 2024 HALF-YEAR UNAUDITED TOP-LINE FIGURES	PUBLICATION OF 2024 HALF-YEAR RESULTS

FORWARD-LOOKING INFORMATION DISCLAIMER

This Annual 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 Annual 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® SpheriKA, 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, NextAR™ Spine MIS LT, PowerKnot®, Quadra®-C, Quadra®-P , Quadra®-R, SensiTiN™, SMS®, Versafitcup®, X-Acta®.

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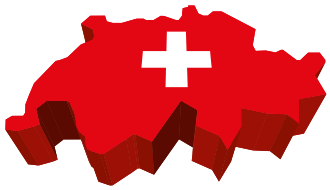

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