HALF-YEAR REPORT 2021

MEDACTA AT A GLANCE

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

From minimally invasive surgery to

Personalized Medicine and beyond

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HIGHLIGHTS FIRST HALF 2021*

- Medacta's half-year 2021 revenue increased to Euro 177.5 million, or 35.4% at constant currency (31.7% reported);
- The growth was driven by significant carry-over and customer acquisition, in addition to faster-than-expected normalization of surgery activities, with positive contributions from all business lines and geographies;
- Gross Profit margin improved to 72.5% (69.7% in H1 2020) and Adjusted EBITDA margin increased to 31.9% (23.8% in H1 2020), corresponding to Euro 56.6 million;
- Profit for the period equal to Euro 29.7 million, 16.8% on revenues;
- Adjusted Free Cash Flow of Euro 13.4 million, up Euro 18.1 million compared to prior period;
- Innovation continued with over 50 new products registered, including CE-marking of the Knee, Shoulder and Spine Applications of the NextAR Augmented Reality Surgical Platform;
- Over 60 new jobs added;
- Outlook FY 2021: The positive first semester performance and the business outlook in the remainder of the year allow us to revise upward our revenue target for 2021 within a range of Euro 355 million to Euro 375 million at constant currency, compared to the previous range of Euro 333 million to Euro 348 million. The 2021 Adjusted EBITDA margin will be largely in line with the previous year, subject to any unforeseen events, specifically from the COVID-19 pandemic.

REVENUES

EUR 177.5M

+35.4% growth before FX effects from prior period[1]
+31.7% reported growth

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

ADJUSTED EBITDA MARGIN [2]

31.9%

28.2% Reported EBITDA Margin
EUR 56.6M Adjusted EBITDA[3]

[2] Adjusted EBITDA margin is calculated as Adjusted EBITDA as a percentage of Revenues for the period.

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

ADJUSTED EBIT MARGIN [4]

21.4%

17.8% Reported EBIT Margin
EUR 38.1M Adjusted EBIT[5]

[4] Adjusted EBIT margin is calculated as Adjusted EBIT as a percentage of Revenues for the period.

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

PROFIT FOR THE PERIOD

EUR 29.7M

16.8% on Revenues
EUR 1.49 EPS[6]

[6] There is no a material effect of dilution, and diluted earnings per share equals basic earnings per share.

ADJUSTED FREE CASH FLOW [7]

EUR 13.4M

[7] Adjusted Free Cash Flow is calculated as IFRS cash flow from operating activities plus IFRS cash flow from investing activities and adjusted for certain non-recurring items.

NUMBER OF EMPLOYEES

1'246

63 new jobs added in H1 2021

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

KEY FINANCIAL FIGURES (UNAUDITED)

(Million Euro)	30.06.2021	30.06.2020
Revenues	177.5	134.8
Gross Profit	128.6	93.9
Profit for the period	29.7	9.7

Alternative Performance Measures:		
EBITDA	50.1	31.9
Adjusted EBITDA*	56.6	32.1
Adjusted EBITDA margin*	31.9%	23.8%
Free Cash Flow	(8.5)	(7.9)
Adjusted Free Cash Flow**	13.4	(4.7)

(Million Euro)	30.06.2021	31.12.2020
Total Assets	457.7	441.9
Total Equity	192.0	164.7
Equity Ratio	41.9%	37.3%
Number of employees	1’246	1’183

* Adjusted for provisions on litigations (Euro 4.5M) and extraordinary legal expenses (Euro 2.0M). The reconciliation is provided in the "Alternative Performance Measures" section of this report beginning on page 12.

** Adjusted for extraordinary legal expenses (Euro 2.0M), extraordinary tax payment (Euro 18.0M) and non-recurring investments (Euro 1.9M). Please see the "Alternative Performance Measures" section of this report beginning on page 12 for the reconciliation of the "Adjusted Free Cash Flow".

SHARE INFORMATION

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

NUMBER OF SHARES	
Share capital (in CHF)	2’000’000
Number of registered shares outstanding *as of June 30, 2021*	19’997’367
Nominal value per registered share (in CHF)	0.10
Number of treasury shares *as of June 30, 2021*	2’633

DATA PER SHARE	**30.06.2021**
High (in CHF) *for the period January - June 2021*	131.60
Low (in CHF) *for the period January - June 2021*	85.80
Closing price (in CHF)	121.40
Market capitalization (in CHF million)	2’428

RELATIVE SHARE PRICE DEVELOPMENT

Index base 100 calculation
Source: Refinitiv

M.O.R.E.
INSTITUTE

The surgeon is never alone
when discovering new technologies

LETTER TO SHAREHOLDERS

Dr. Alberto Siccardi

Francesco Siccardi

Dear shareholders,

In 2020 our employees showed resilience, maturity, and adaptability to a new world where traditional approaches are no longer possible, this gives us the confidence on Medacta's ability to execute our short- and long-term business strategy, continuing to gain market share. In the first semester 2021 we witnessed a general recover of elective procedures as the impact of the COVID-19 pandemic eased in most geographies. The encouraging performance we delivered allows us to look positively into the second semester.

OUR ACHIEVEMENTS

In the first semester 2021 we continued executing our long-term value creation strategy based on innovation, medical education and healthcare sustainability. We maintained investments in Research & Development and accelerated our innovation process. Only in the first semester 2021, we registered over 50 new products across all our business lines. In June 2021, the first surgeries based on our NextAR Augmented Reality (AR) Surgical Platform were performed in Europe, following the CE-marking of the Knee, Shoulder and Spine Applications. Also, in May 2021, the NextAR Shoulder Application received FDA clearance, further expanding the U.S. NextAR offering, which already included the Knee Application, FDA-cleared in 2020. NextAR enhances our MySolutions Ecosystem, empowering our holistic approach to personalized medicine, and has the potential to improve surgical accuracy. Thanks to its limited upfront capital investment and reduced cost per case compared to other technologies, the platform enhances healthcare system sustainability worldwide. The engineered design has the great advantage of utilizing a single platform for all procedures for both joint replacement and spine applications, allowing for a lean logistics and hardware management. These are key benefits in many markets and in particular for US Ambulatory Surgery Centers (ASCs).

Our Marketing and Medical Education Programs continued, and since June 2021, international travel and congresses have restarted. During the semester, we continued to invest strategically in the hiring of personnel to support the operation and the salesforce expansion. Instrument sets increased significantly to serve new customers.

REVENUE TREND BY REGION AND BUSINESS LINE *

In the first semester 2021, despite the challenging conditions caused by the COVID-19 pandemic, Medacta recorded a strong performance, resulting in a 35.4% growth at constant currency (31.7% reported) compared to the same period last year. Currency development had a material negative impact with a headwind of 3.7%, mainly due to the strengthening of the Euro against the US Dollar, Japanese Yen and Swiss Franc, only partially compensated by the Euro weakening against the Australian Dollar.

Our revenue performance was driven not only by the normalization of surgery volumes, but also by the execution of our growth strategy, which continued in 2021 despite the challenging conditions, through the launch of new products, the hiring of salesforce and our continuous medical education programs.

Overall, in the first semester 2021 we had a positive revenue contribution from all business lines and geographies. Revenue from our Hip products increased to Euro 88.4 million, or 30.7% on a constant currency basis; the good momentum was generated by the acquisition of new customers through the AMIS strategy supported by the roll-out of new products. Revenue from our Knee offerings were Euro 63.4 million, an increase of 38.4% on a constant currency basis, thanks to the continuous customer acquisition on personalized solutions and GMK Sphere platform.

Our Extremities business line reported an increase in revenue of 56.8% on a constant currency basis to Euro 9.1 million, mainly thanks to the completeness of the Medacta Shoulder System supported by personalized solutions and the expansion of the Sports Med product offering. Spine offering increased by 39.5% on a constant currency basis to Euro 16.6 million, driven by newly launched products, innovative technologies, and salesforce expansion.

In terms of geographic trend, revenue in Europe registered a growth of 29.4% on a constant currency basis to Euro 76.2 million. France, Italy and Belgium, the countries most affected by COVID-19 in the first semester 2020, recorded the strongest growth, followed by the 'DACH' (Germany, Austria, and Switzerland). Revenue in North America increased to Euro 52.5 million, or 44.3% on a constant currency basis, thanks to our customer acquisition, salesforce expansion and increased activity level in Ambulatory Surgery Centers (ASCs). Revenue in Asia Pacific grew by 33.6% on a constant currency basis to Euro 43.0 million, mainly driven by the attainment of new customers through the expansion of our salesforce in 2020. RoW recorded an increase of 49.4% on a constant currency basis and reported Euro 5.7 million, thanks to the acquisition of new distributors in the Middle East and Eastern Europe and the pick up demand from existing stocking distributors.

GROSS PROFIT PERFORMANCE

Medacta reached Euro 128.6 million of Gross Profit, approximately 36.9% or Euro 34.7 million higher than the first semester of 2020 (Euro 93.9 million). The Gross Profit as a percentage of sales in the first six months of 2021 increased to 72.5%, from 69.7% in the first semester 2020, primarily as a result of the surge in Revenues and the improved utilisation of instruments that increased at a slower pace than Revenues.

31.9% ADJUSTED EBITDA MARGIN*

The Adjusted EBITDA amounted to Euro 56.6 million (Euro 32.1 million in H1 2020), corresponding to a margin of 31.9% compared to 23.8% in the first semester 2020. The increase in Adjusted EBITDA margin reflects primarily the leverage on fixed costs from higher sales volumes, along with savings in travels and congress participation costs due to continued travel restrictions for COVID-19.

SOLID BALANCE SHEET *

Thanks to the first semester 2021 performance, Medacta's balance sheet further strengthened, with total assets increasing to Euro 457.7 million and an equity ratio of 41.9% at the end of the reporting period (37.3% in year-end 2020). The Adjusted Free Cash Flow generated in the first semester 2021 amounted to Euro 13.4 million after Euro 24.1 million investments, including new instruments and development projects. Net Debt as of June 30, 2021 amounted to Euro 97.1 million.

STOCK PRICE GROWTH

The Medacta stock price continued to experience impressive growth in 2021. The H1 2021 growth is equal to 39% compared with 16% of the SPI Swiss Performance Index.

OUTLOOK

The second semester 2021 revenue growth is expected to normalize as the 2020 comparative period already benefited from previous pent-up demand in certain geographic areas.

The positive first semester performance and the business outlook in the remainder of the year allow us to revise upward our revenue target for 2021 within a range of Euro 355 million to Euro 375 million at constant currency, compared to the previous range of Euro 333 million to Euro 348 million. The Adjusted EBITDA margin will be largely in line with the previous year, subject to any unforeseen events, specifically from the COVID-19 pandemic.

THANKS

On behalf of the Board and our colleagues, we thank you, our shareholders, for your ongoing support and confidence in joining our mission to transform the patient experience by advancing surgical approaches, implants and instruments through responsible innovation.

Sincerely,

Dr. Alberto Siccardi
Chairman of the Board of Directors

Francesco Siccardi
Chief Executive Officer

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

ALTERNATIVE PERFORMANCE MEASURES

The financial information provided in the selected sections of the 2021 Half-Year Report, including “Highlights first half 2021”, “Letter to shareholders” 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, provision of litigations, release of prior-year provisions 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 2021 Half-Year Report are reported at the end of this section.

CORE RESULTS

The following tables provide the reconciliation of the CORE results with the Consolidated Financial Statements as of June 30, 2021 and 2020. In addition to the CORE ratios, we did not identified any normalization for the June 30, 2021 results. Management assessed that due to the pervasive nature of COVID-19, it would not be appropriate to include new APMs as it might not provide reliable or useful information to the market.

2021 CORE RESULTS RECONCILIATION

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

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

[1] Provision on litigation accrued for MicroPort. Refer to Note 6.10 "Litigations", paragraph MicroPort Matter.

[2] Legal costs in H1 2021 refer to the extraordinary expenses incurred by the Group on litigations, refer to Note 6.10 "Litigations"

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

2020 CORE RESULTS RECONCILIATION

June 30, 2020 (Thousand Euro)	IFRS	Provision on Litigation[1]	Legal costs[2]	CORE[3]
Revenues	134'808	-	-	134'808
Cost of Sales	(40'862)	-	-	(40'862)
GROSS PROFIT	**93'946**	**-**	**-**	**93'946**
Research and Development expenses	(3'265)	-	-	(3'265)
Sales and Marketing expenses	(54'404)	-	-	(54'404)
General and Administrative expenses	(22'992)	(1'555)	1'735	(22'812)
Other income	393	-	-	393
Other expenses	(562)	-	-	(562)
OPERATING PROFIT (EBIT)	**13'116**	**(1'555)**	**1'735**	**13'296**

OPERATING PROFIT (EBIT)	**13'116**	**(1'555)**	**1'735**	**13'296**
Depreciation and Amortisation	(18'756)	-	-	(18'756)
EBITDA	**31'872**	**(1'555)**	**1'735**	**32'052**
EBITDA MARGIN	**23.6%**			**23.8%**

[1] Income related to the partial release of the provision on litigation accrued in 2019.

[2] Legal costs incurred in H1 2020 on litigations.

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

ADJUSTED FREE CASH FLOW RECONCILIATION

(Thousand Euro)	30.06.2021	30.06.2020
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**15'561**	**12'511**
Adjustments for:		
Legal costs	1'970	1'735
Incremental taxes paid in 2021[1]	18'028	-
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**35'559**	**14'246**
CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(24'041)**	**(20'450)**
Adjustments for:		
Rancate investments[2]	1'928	1'513
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(22'113)**	**(18'937)**
ADJUSTED FREE CASH FLOW	**13'446**	**(4'691)**

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

[2] In the first half of 2021, Medacta invested Euro 1'928 thousand in creating new offices in our Rancate site. This investment is expected to be completed in the course of 2021.

KPI DEFINITIONS

CORE

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

EBITDA

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

ADJUSTED EBITDA (I.E. CORE EBITDA)

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

CONSTANT CURRENCY

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

OPEX

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

EQUITY RATIO

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

NET TRADE WORKING CAPITAL

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

FREE CASH FLOW

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

NET DEBT

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

LEVERAGE

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

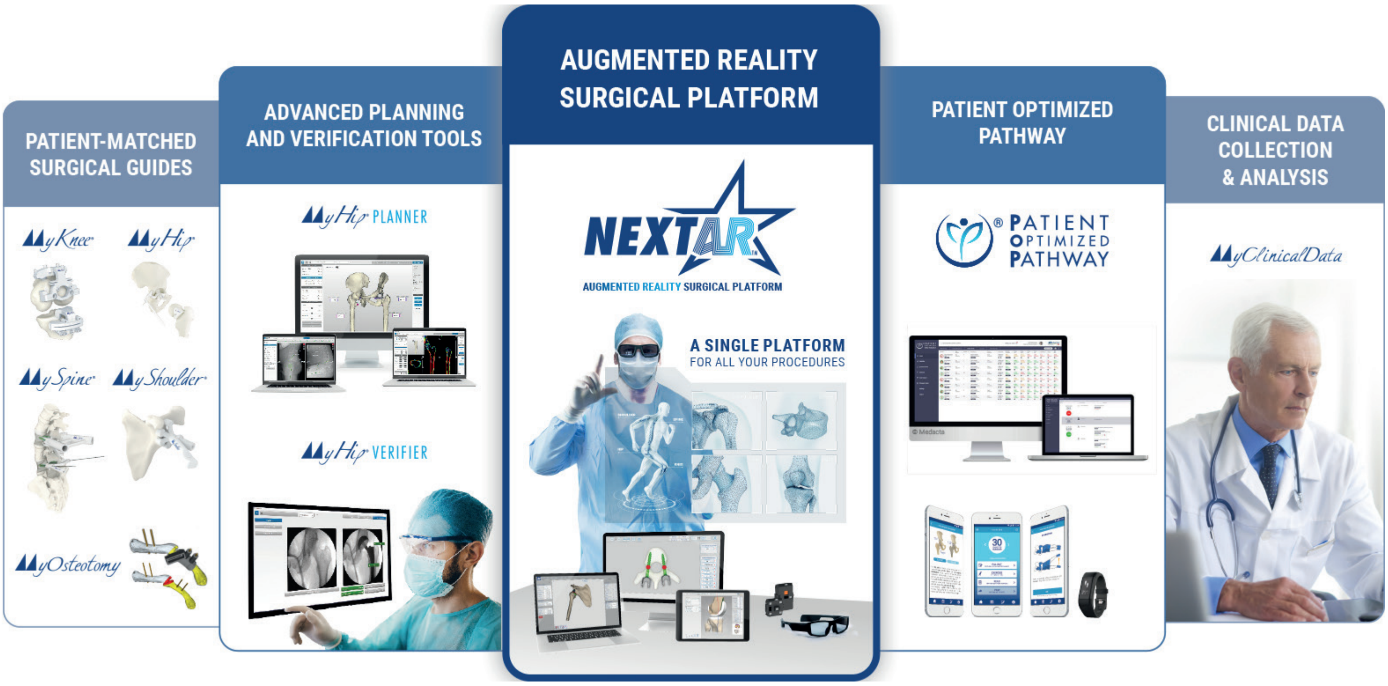
NEXTAR™

AUGMENTED REALITY SURGICAL PLATFORM

LOOK BEYOND THE ORDINARY

A SINGLE PLATFORM
FOR ALL YOUR PROCEDURES

With our **MySolutions ecosystem** we aim at bringing value throughout the entire patient journey



Together with our **comprehensive implant portfolio** and **surgical techniques, MySolutions** empowers our **holistic approach to personalized medicine**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

1. INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

(Thousand Euro)	Unaudited 30.06.2021	Unaudited 30.06.2020
Revenues	177'488	134'808
Cost of Sales	(48'851)	(40'862)
GROSS PROFIT	**128'637**	**93'946**
Research and Development expenses	(4'550)	(3'265)
Sales and Marketing expenses	(60'981)	(54'404)
General and Administrative expenses	(31'369)	(22'992)
Other income	632	393
Other expenses	(790)	(562)
OPERATING PROFIT(EBIT)	**31'579**	**13'116**
Financial income	4'902	1'775
Financial costs	(4'892)	(5'616)
PROFIT BEFORE TAXES	**31'589**	**9'275**
Income taxes	(1'851)	409
PROFIT FOR THE PERIOD	**29'738**	**9'684**

ATTRIBUTABLE TO		
Equity holders of the parent	29'738	9'684
Non-controlling interests	-	-
BASIC EARNINGS PER SHARE	**1.49**	**0.48**
DILUTED EARNINGS PER SHARE	**1.49**	**0.48**

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

2. INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

(Thousand Euro)	Unaudited 30.06.2021	Unaudited 30.06.2020
PROFIT FOR THE PERIOD	**29'738**	**9'684**
OTHER COMPREHENSIVE INCOME		
Remeasurements of defined benefit obligations	1'175	(345)
Tax effect on remeasurements of defined benefit obligations	(203)	60
TOTAL ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**972**	**(285)**
Currency translation differences	(3'325)	2'696
TOTAL ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(3'325)**	**2'696**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**(2'353)**	**2'411**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**27'385**	**12'095**
ATTRIBUTABLE TO		
Equity holders of the parent	27'385	12'095
Non-controlling interests	-	-

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

3. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIODS ENDED JUNE 30, 2021 AND DECEMBER 31, 2020

ASSETS	Unaudited	Audited
(Thousand Euro)	**30.06.2021**	**31.12.2020**
Property, plant and equipment	138'247	131'642
Right-of-use assets	21'004	21'722
Goodwill and intangible assets	50'743	48'797
Other non-current financial assets	473	488
Deferred tax assets	25'839	21'588
TOTAL NON-CURRENT ASSETS	**236'306**	**224'237**
Inventories	121'726	114'187
Trade receivables	58'749	45'782
Other current financial assets	-	1'297
Other receivables and prepaid expenses	9'542	8'364
Cash and cash equivalents	31'328	48'068
TOTAL CURRENT ASSETS	**221'345**	**217'698**
TOTAL ASSETS	**457'651**	**441'935**

LIABILITIES AND EQUITY	Unaudited	Audited
(Thousand Euro)	**30.06.2021**	**31.12.2020**
Share capital	1'775	1'775
Capital contribution reserve	21'227	21'227
Retained earnings and other reserves	169'999	139'409
Foreign currency translation reserve	(1'019)	2'306
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**191'982**	**164'717**
Non-controlling interests	-	-
EQUITY	**191'982**	**164'717**
Non-current financial liabilities	61'665	65'044
Other non-current liabilities	2'789	3'197
Non-current provisions	6'907	1'237
Retirement benefit obligation	12'470	13'023
Deferred tax liabilities	36'202	36'269
Non-current lease liabilities	13'110	13'642
TOTAL NON-CURRENT LIABILITIES	**133'143**	**132'412**
Trade payables	21'523	16'477
Other current liabilities	9'303	24'329
Current financial liabilities	66'721	66'339
Current provisions	7'592	8'399
Accrued expenses and deferred income	22'109	23'861
Current lease liabilities	5'278	5'401
TOTAL CURRENT LIABILITIES	**132'526**	**144'806**
TOTAL LIABILITIES	**265'669**	**277'218**
TOTAL LIABILITIES AND EQUITY	**457'651**	**441'935**

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

4. INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

	Attributable to equity holders of Medacta Group SA						
(Thousand Euro)	Share capital	Capital Contribution Reserve	Retained earnings and other reserves	Treasury shares	Translation adjustment	Non-controlling interests	Total equity
BALANCE JANUARY 1, 2020	**1'775**	**21'227**	**102'885**	**-**	**(2'653)**	**-**	**123'234**
Profit for the period	-	-	9'684	-	-	-	9'684
Remeasurements of defined benefit obligations	-	-	(345)	-	-	-	(345)
Tax effect on remeasurements of defined benefit obligations	-	-	60	-	-	-	60
Currency translation differences	-	-	-	-	2'696	-	2'696
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**9'399**	**-**	**2'696**	**-**	**12'095**
Purchase of treasury shares	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-	-
BALANCE JUNE 30, 2020	**1'775**	**21'227**	**112'284**	**-**	**43**	**-**	**135'329**

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

5. INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

(Thousand Euro)	Unaudited 30.06.2021	Unaudited 30.06.2020
PROFIT FOR THE PERIOD	**29'738**	**9'684**
Adjustments for:		
Income taxes	1'851	(409)
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	18'518	18'756
(Gain) / loss on disposal of tangible and intangible assets	530	267
Foreign exchange result	(1'650)	659
Interest expenses	844	982
Change in Provisions and Retirement benefit obligations *	5'731	(912)
Share-based payments expense	166	
Income taxes paid	(22'485)	(1'825)
Interest paid	(844)	(982)
(Increase) / decrease in trade receivables	(13'098)	2'572
(Increase) / decrease in other receivables and prepaid expenses	(1'280)	264
(Increase) / decrease in inventories	(8'726)	(9'907)
Increase / (decrease) in trade payables	5'272	(118)
Increase / (decrease) in other liabilities and accruals	994	(6'520)
CASH FLOW FROM OPERATING ACTIVITIES	**15'561**	**12'511**
Purchase of tangible assets	(21'180)	(17'065)
Purchase of intangible assets **	(4'274)	(4'722)
Proceeds from disposal of tangible assets	1'398	1'377
Changes in financial assets	15	(40)
CASH FLOW FROM INVESTING ACTIVITIES	**(24'041)**	**(20'450)**
Proceeds from borrowings	-	4'540
Repayment of borrowings	(4'853)	(194)
Repayment of lease liabilities	(2'891)	(3'077)
Purchase of treasury shares	(286)	
CASH FLOW FROM FINANCING ACTIVITIES	**(8'030)**	**1'269**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(16'510)**	**(6'670)**
Cash and cash equivalents at the beginning of the period	48'068	27'241
Net effect of currency transaction on cash and cash equivalent	(230)	3'414
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**31'328**	**23'985**

* "Change in Provisions and Retirement benefit obligations" includes non-monetary movements that, as of June 30, 2020, were presented within the line items: "(Increase) / decrease in trade receivables" amounting in H1 2020 to Euro 2'599 thousand; "(Increase) / decrease in inventories" amounting in H1 2020 to Euro (9'733) thousand; "Increase/(decrease) in other payables, accruals and provisions" amounting in H1 2020 to Euro (7'633) thousand.

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

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

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

6.1 GENERAL INFORMATION

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

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

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

6.2 SIGNIFICANT EVENTS AND TRANSACTIONS

IMPACT OF COVID-19

In 2021 our performances have been still affected by the COVID-19 global pandemic. From a business perspective the unprecedented measures adopted by governments and health care authorities in response to the pandemic caused the deferral of elective procedures and social contact restrictions which have had a negative impact on Medacta’s operations and financial results. The vast majority of our net sales are derived from products used in elective surgical procedures. The COVID-19 pandemic resurgence started at the end of October 2020, continued in the first months of 2021. As countries took precautions to prevent the spread of the virus with lockdowns and stay-at-home measures and as hospitals deferred elective surgical procedures, Medacta’s net sales have been affected significantly. Toward the end of the first quarter 2021, we saw signs of the pandemic beginning to subside across many regions in particular with the acceleration of the vaccine rollout worldwide. These factors contributed to a net sales increase of 31.7% in the six-month period ended June 30, 2021, when compared to the same prior year period.

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

Following the COVID-19 pandemic, some governments of the countries where the Group operates decided to provide assistance in the form of subsidies or government grants to cover part of the cost of personnel incurred during the period in which the Group lost part of its profitability (refer to Note 6.8 “Government Grants”).

The Group has also assessed the impact of COVID-19 on the expected credit loss (ECL), considering any adjustments to the model for identified specific credit risks that could not be reflected in the ECL model. The assessment did not lead to any material change to the allowance on trade receivables.

Management assessed the list of internal and external indicators provided by IAS 36 and, even considering the impact of COVID-19 in the half-year economic performance, does not believe that as of June 30, 2021 there are observable indicators that Medacta assets’ value may be impaired. External sources of information such as adverse effect on market interest rates, market capitalization and market development showed only temporary impact that are mostly already reflecting results pre COVID-19. The internal sources of information assessed, indicates that mid and long-term fundamentals on the expected economic performance have not changed. Nevertheless, for intangible assets with indefinite useful lives, we stressed the 2020 impairment test changing the 2021 revenue with our last forecasted information, and the 2022-2024 revenue streams keeping the 2020 approved business plan growth rates. The stress scenario confirmed management’s assessment on the absence of impairment indicators.

NEW EU REGULATION ON MEDICAL DEVICES (MDR)

The Regulation on Medical Devices (MDR) went into effect in May of 2017, effectively replacing decades-old legislation and creating new quality and transparency requirements for medical device companies in the European Union. The Official Journal of the European Union published the MDR and IVDR. The new rules replace Med Device Directive (93/42/EEC), the Active Implantable Medical Device Directive (90/385/EEC) and the In-Vitro Diagnostic Medical Device Directive (98/79/EC). Although the MDR is technically "in effect," since 2017 there was a transitional period until May 2021 for companies to fully comply with the directives. From a financial and reporting perspective the new EU MDR will bring several impacts including a significant increase in pre-CE clinical studies, as competitor predicate device clinical data can no longer be used. Under our accounting policy, clinical studies are expensed and classified in General & Administrative expenses. The current level of clinical studies has a double scope, either to address clinical results of existing products in pipeline or to address specific requests provided by regulators post-registration (i.e. CE, FDA, TGA etc.). Since competitor predicate device clinical data can no longer be used to obtain CE registration under the new CE MDR, it will be required for Medacta to introduce a new category of clinical studies. All clinical studies that will be required to submit a CE registration will be classified as Research and Development expenses. If the pre CE-registration clinical studies are referred to an IPR&D project that meets the requirements provided by IAS 38 para 57, these costs will be capitalized within the project.

6.3 ACCOUNTING POLICIES

BASIS OF PREPARATION

These unaudited financial statements are the Interim Condensed Consolidated Financial Statements of Medacta Group SA and its subsidiaries for the six months period that ended June 30, 2021. These financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Consolidated Financial Statements for the year that ended December 31, 2020. The Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on September 9, 2021.

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

USE OF ESTIMATES AND JUDGEMENT

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

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

- Leases – Due to the application of IFRS 16, judgement is required to determine the lease term. Management considers all circumstances and facts that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment;
- Development costs – Applying IAS 38, the Group recognises an internally-generated intangible asset arising from development only if all the conditions specified in the standard have been demonstrated (refer to Note 6.1 "Consolidation principles, composition of the Group and significant accounting policies" paragraph "Significant accounting policies" in the 2020 Annual Report). Management uses its judgement, based on the fact and circumstances of each development project, to assess whether the IAS 38 par. 57 conditions have been met.

Estimates are based on historical experience and other factors. The resulting accounting estimates could differ from the related actual results. Estimates are periodically reviewed and the effects of each change are reflected in the Consolidated Financial Statements in the year in which the change occurs. The key sources of uncertainty that required management's estimation in the half-year ended June 30, 2021, consistently with the year ended December 31, 2020, were the following: impairment test for intangible assets; deferred tax assets; valuation of inventories; pension plans; legal and other contingencies.

SHARE-BASED COMPENSATION

As already anticipated in the 2020 Annual Report, the Board of Directors meeting held on March 30, 2021, approved a long-term incentive plan for our Group Executive Management, selected key managers and employees of Medacta. 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, especially in this extraordinary period. The key terms of the plan are disclosed in Note 6.7 "Long Term Incentive Plan".

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 is determined either based on observable market prices or by external valuation experts using an appropriate pricing model, further details are provided in Note 6.7 "Long Term Incentive Plan". No expense is recognized for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized 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 recognized for the award is recognized 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 6.6 "Medacta Group stockholders' Equity").

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Annual Consolidated Financial Statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021);
- COVID-19-related Rent Concessions – Amendments to IFRS 16 (effective for annual reporting periods beginning on or after 1 April 2021) which extends by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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

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

- IFRS 10 "Consolidated Financial Statements" and IAS 28 (amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". Effective date of the amendments has yet to be set by the IASB;
- Amendments to IAS 1, "Classification of liabilities as current or non-current (effective for annual reporting periods beginning on or after January 1, 2023);
- Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 and IFRS Practice Statement 2 on disclosure of accounting policies (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 on accounting estimates (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 37, "Changes in Onerous Contracts — Cost of Fulfilling a Contract" (effective for annual periods beginning or on after January 1, 2022);
- Amendments to IAS 16, "Property, Plant and Equipment — Proceeds before Intended Use" (effective for annual periods beginning or on after January 1, 2022);
- Amendments to IFRS 3, "Reference to the Conceptual Framework (effective for annual periods beginning or on after January 1, 2022).

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

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

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

	Average		Closing	
	H1 2021	**H1 2020**	**30.06.2021**	**31.12.2020**
CHF	0.9138	0.9394	0.9120	0.9253
GBP	1.1535	1.1377	1.1663	1.1189
AUD	0.6399	0.5945	0.6325	0.6298
USD	0.8302	0.9054	0.8435	0.8188
JPY	0.0077	0.0084	0.0076	0.0079
CAD	0.6661	0.6612	0.6803	0.6433

COMPOSITION OF THE GROUP

During the first six months of the financial year 2021 no changes have occurred in the Group structure. Entities included in the scope of consolidation are listed below:

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

Company	% of shares held June 2021	% of shares held June 2020	Registered office	Registered Capital	Consolidation Method
Medacta Group SA	N/A	N/A	Castel San Pietro (CH)	2'000'000 CHF	Parent company
Medacta Holding SA	100%	100%	Castel San Pietro (CH)	1'026'010 CHF	Full Consolidation
Medacta International SA	100%	100%	Castel San Pietro (CH)	1'000'000 CHF	Full Consolidation
Medacta Australia PTY Ltd	100%	100%	Lane Cove (AU)	4 AUD	Full Consolidation
Medacta Austria GmbH	100%	100%	Eugendorf (AT)	35'000 EUR	Full Consolidation
Medacta Belgium S.r.l.	100%	100%	Nivelles (BE)	18'550 EUR	Full Consolidation
Medacta Canada Inc.	100%	100%	Kitchener (CA)	100 CAD	Full Consolidation
Medacta España S.L.	100%	100%	Burjassot (ES)	3'000 EUR	Full Consolidation
Medacta France SAS	100%	100%	Villeneuve la Garenne (FR)	37'000 EUR	Full Consolidation
Medacta Germany GmbH	100%	100%	Göppingen (DE)	25'000 EUR	Full Consolidation
Medacta Italia S.r.l.	100%	100%	Milan (IT)	2'600'000 EUR	Full Consolidation
Medacta Japan Co. Ltd	100%	100%	Tokyo (JP)	25'000'000 JPY	Full Consolidation
Medacta UK Ltd	100%	100%	Hinckley (UK)	29'994 GBP	Full Consolidation
Medacta USA, Inc.	100%	100%	Franklin - Tennessee (US)	50'050'000 USD	Full Consolidation

SEASONALITY OF OPERATIONS

The Group operates in an industry where significant seasonal or cyclical variations in the total sales are not experienced during the financial year. In the six months 2021 our performance has been still affected by the pandemic; we saw recovery of elective procedures as the impact of the COVID-19 eased in most geographies. However, the recovery of elective procedures continues to be variable by region and geography. This situation could have an impact on the weights of revenue and cost to be incurred in the second semester compared to the H1 2021.

6.4 FAIR VALUE MEASUREMENT AND CLASSIFICATION

The following table summarizes the financial instruments carried at fair value, by valuation method as of June 30, 2021 and December 31, 2020.

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.

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the Interim Condensed Consolidated Financial Statements approximate their fair values. No changes in the valuation techniques of the items below have occurred since the last annual financial statements.

	Carrying amount (based on measurement basis)					
		Assets / Liabilities as FVTPL				
As at June 30, 2021 (Thousand Euro)	**Asset and Liabilities at amortised cost**	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**	**Fair Value**
Other non-current financial assets	473	-	-	-	**473**	-
Trade receivables	58'749	-	-	-	**58'749**	-
Other current financial assets	-	-	-	-	**-**	-
Cash and cash equivalents	31'328	-	-	-	**31'328**	-
Non-current financial liabilities	61'665	-	-	-	**61'665**	-
Other non-current liabilities	2'789	-	-	-	**2'789**	-
Non-current lease liabilities	13'110	-	-	-	**13'110**	-
Trade payables	21'523	-	-	-	**21'523**	-
Other current liabilities	9'166	-	-	137	**9'303**	-
Current financial liabilities	66'149	-	572	-	**66'721**	-
Current lease liabilities	5'278	-	-	-	**5'278**	-

	Carrying amount (based on measurement basis)					
		Assets / Liabilities as FVTPL				
As at December 31, 2020 (Thousand Euro)	**Asset and Liabilities at amortised cost**	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**	**Fair Value**
Other non-current financial assets	488	-	-	-	**488**	-
Trade receivables	45'782	-	-	-	**45'782**	-
Other current financial assets	-	-	1'297	-	**1'297**	-
Cash and cash equivalents	48'068	-	-	-	**48'068**	-
Non-current financial liabilities	65'044	-	-	-	**65'044**	-
Other non-current liabilities	3'197	-	-	-	**3'197**	-
Non-current lease liabilities	13'642	-	-	-	**13'642**	-
Trade payables	16'477	-	-	-	**16'477**	-
Other current liabilities	24'190	-	-	139	**24'329**	-
Current financial liabilities	66'339	-	-	-	**66'339**	-
Current lease liabilities	5'401	-	-	-	**5'401**	-

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

The level 3 balance relates to the fair value measurement of a contingent consideration provided in the acquisition contract of Balgrist Card, AG occurred in 2018. The contingent consideration was recognised as part of the consideration transferred in exchange for the acquiree, measured at its acquisition-date fair value. Management valued that the fair value of the contingent consideration is equal to CHF 150 thousand, corresponding to Euro 137 thousand as of June 30, 2021 (CHF 150 thousand, Euro 139 thousand as of December 31, 2020). The valuation model utilized to value the contingent consideration is a discounting cash flow model. To assess the probability that the contingent events will occur, an internal evaluation has been performed by the technical IT department responsible for the development of this technology.

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the six-month period ending June 30, 2021.

6.5 SEGMENT INFORMATION

The Group has only one operating segment.

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

Therefore, Medacta constitutes with only one segment which is represented by the whole group itself. In the first six months of 2021 and 2020 no single customer represents 10% or more of the total Group revenues. Resource allocation and performance assessment are performed at Group level and not at single-component level.

The operating segments subject to disclosure are consistent with the organization model adopted by the Group during the six months period ended June 30, 2021.

INFORMATION BY GEOGRAPHIC AREA

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

	Unaudited		Unaudited	Audited
	30.06.2021		30.06.2020	31.12.2020
SALES AND PROPERTY, PLANT AND EQUIPMENT (Thousand Euro)	Net sales	Property, plant and equipment	Net sales	Property, plant and equipment
Europe	76'202	113'750	59'289	110'002
North America	52'539	22'367	39'665	19'743
Asia Pacific	43'041	2'130	31'857	1'897
RoW	5'706	-	3'997	-
TOTAL CONSOLIDATED	**177'488**	**138'247**	**134'808**	**131'642**

ANALYSIS OF REVENUE

The following table presents revenue of the Group's product lines for the six months ended June 30, 2021 and 2020 respectively:

	Unaudited	Unaudited
(Thousand Euro)	30.06.2021	30.06.2020
Hip	88'379	68'873
Knee	63'426	47'343
Shoulder	8'820	5'863
Spine	16'550	12'532
Sports Med	313	197
TOTAL	**177'488**	**134'808**

6.6 MEDACTA GROUP STOCKHOLDERS' EQUITY

SHARE CAPITAL

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

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

DIVIDEND

Medacta Group SA did not approve any dividend distribution in the course of the first six months of 2021.

EARNINGS PER SHARE

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

	Unaudited	Unaudited
	30.06.2021	30.06.2020
Net profit attributable to shareholders (in Euro thousand)	29'738	9'684
Weighted average number of ordinary shares outstanding	19'999'220	20'000'000
BASIC EARNINGS PER SHARE (in Euro)	**1.49**	**0.48**

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

	Unaudited	Unaudited
(Thousand Euro)	30.06.2021	30.06.2020
Net profit used to determine diluted earnings per share (in Euro thousand)	29'738	9'684
Weighted average number of ordinary shares outstanding	19'999'220	20'000'000
Adjustments for performance stock units issued	1'969	-
Weighted average number of ordinary shares for diluted earnings per share	20'001'189	20'000'000
DILUTED EARNINGS PER SHARE (in Euro)	**1.49**	**0.48**

FOREIGN CURRENCY TRANSLATION RESERVE

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

TREASURY SHARES

In 2021 Medacta Group SA, following the approval of a long-term incentive plan for our Group Executive Management, selected key managers and employees, decided to repurchase its own outstanding shares to fund the 2021 share-based compensation award cycle. Treasury shares are valued at weighted average cost and have been deducted from equity. As of June 30, 2021 the number of treasury shares amounted to 2’633.

RETAINED EARNINGS

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

6.7 LONG TERM INCENTIVE PLAN

On March 29, 2021 the Remuneration committee approved the implementation of the Long Term Incentive Plan (LTIP), under the Performance Share Plan (“The Plan”), that will be open to eligible participants starting in April, 2021. 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, and,
- the respective Participant is eligible for country performance consideration, and,
- 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, 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.

Overall, the combined vesting multiple is expected to never exceed 200%.

The expense recognized for share-based payments during the six-months period is equal to Euro 166 thousand.

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS	
TOTAL AT JANUARY 1, 2021	**-**
Granted	20'810
Exercised	-
Forfeited	(584)
TOTAL AT JUNE 30, 2021	**20'226**
Exercisable at June 30, 2021	-

In 2021, 20'810 PSUs were granted under the LTI (2020: 0). The total fair value has been determined using a Monte Carlo simulation algorithm and amounts to CHF 101.47 (2020: CHF -).

Underlying assumptions for the fair value of the PSUs are presented below:

INPUTS TO THE MODEL	**2021**
Dividend yield (in %)	-
Expected volatility (in %)	42.32%
Risk-free interest rate (in %)	-
Expected life of PSUs (in years)	3
Share price (in CHF) at grant date in April	104.74
Fair value (in CHF)	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.

6.8 GOVERNMENT GRANTS

Following the COVID-19 pandemic, and particularly during the first stage of the pandemic in 2020, some governments of the countries where the Group operates decided to provide assistance to the Group's entities in the form of subsidies or government grants, mainly related to short-term working subsidies.

According to IAS 20 those government grants were recognised in the Interim Consolidated Profit or Loss as of June 30, 2021 (and in the comparative figures as of June 30, 2020) if and when there was reasonable assurance that each entity would comply with the conditions attaching to the grant and that it would be received. As of June 30, 2021, the total amount of government grants recognised in the Interim Consolidated Profit or Loss was Euro 95 thousand, while as of June 30, 2020, in the first stage of the pandemic, amounted to Euro 2'165 thousand. Grants were recognised in both periods, applying the accounting policy of the Group, as a deduction of the underlying costs of personnel for which the subsidies were granted. The classification of income by function was distributed as follows as of June 30, 2021: Sales and Marketing expenses for Euro 77 thousand, General and Administrative expenses for Euro 18 thousand (2020: Cost of Sales Euro 327 thousand, Research and Development expenses Euro 178 thousand, Sales and Marketing Euro 1'154 thousand, General and Administrative expenses Euro 506 thousand).

6.9 TAXES

The Group's Income taxes for the half-year period ended June 30, 2021 amount to Euro 1'851 thousand, which corresponds to a 5.9% effective tax rate on Profit Before Taxes (compared to a credit of Euro 409 thousand as of June 30, 2020). As in 2020, Medacta International SA benefits from a special tax deduction from taxable profits for qualifying profits arising from patent rights ("Patent Box deduction"), in the half-year 2021 it had a positive impact of around Euro 2.9 million, lowering the effective tax rate by about 9 percentage points. In addition, income taxes in half-year 2021 were impacted by the provision accrued in Medacta US on the MicroPort litigation (refer to Note 6.10 "Litigations"), which resulted in a lower consolidated tax rate due to the recognition of a deferred tax asset on losses generated by the entity. In addition, in the half-year 2021 Medacta International SA recognised a positive impact amounting to approximately Euro 0.5 million due to the settlement of previous years' taxes accrued in excess.

6.10 LITIGATIONS

MICROPORT MATTER

ARBITRATION

On April 27, 2020, the Arbitrator issued a "Final Award" which found ASD and Zurowski liable for breach of contract and awarded damages of approximately USD 8.7 million, plus interest, attorneys' fees, and costs of approximately USD 1.4 million. The Final Award is only against ASD and Zurowski. A judicial proceeding has been commenced in the United States District Court for the Western District of Tennessee, which will determine whether or not the Final Award can become an enforceable judgment. MicroPort has asked the Court to confirm the Final Award, while ASD and Zurowski have filed a motion seeking to vacate the Final Award.

COURT PROCEEDINGS

In a proceeding (the "Court Proceeding") commenced on or about July 27, 2018 in the Chancery Court of Shelby County, Tennessee for the 13th judicial district (the "Court Proceedings"), MicroPort Orthopedics, Inc. ("MicroPort") filed a complaint that alleges that Medacta USA tortuously interfered with the asset purchase agreement between MicroPort and a distributor of orthopedic medical devices, Advanced Surgical Devices ("ASD"), by, among other things, inducing ASD to breach that agreement. On May 8, 2020, MicroPort voluntarily dismissed this lawsuit "without prejudice," meaning MicroPort retained the right to re-file its claims for at least 1 year from the date of dismissal. On June 12, 2020, MicroPort filed a new lawsuit in the United States District Court for the Middle District of Tennessee (the "Federal Lawsuit"). The Federal Lawsuit alleges the same, previously voluntarily dismissed, claims that Medacta USA tortuously interfered with the asset purchase agreement between MicroPort and ASD. MicroPort also alleges anew that Medacta USA has infringed on certain patents owned by MicroPort. The patent infringement allegations appear to concern specific patents owned by MicroPort that relate to MicroPort's "PATH" and "SUPERPATH" minimally invasive hip replacement surgical techniques. On February 16, 2021, MicroPort filed an amended complaint that adds Medacta International as a defendant, and adds allegations of infringement by a surgical approach that is still under development by Medacta.

Both cases, the "Arbitration" and the "Court Proceeding" were settled and resolved via an agreement that was effective as of July 12, 2021. According to the agreement, Medacta USA will pay to MicroPort Inc. the sum of USD 7 million by five days after the signature of the agreement, the sum of USD 5 million over a term of seven years. In addition, the settlement agreement contemplates the contribution by Medacta of marketing activities for a total of a low single digit millions to be paid over a period of four years. In connection with these litigations the Group, in agreement with what prescribed by IAS 37, recognized a provision that fulfils the settlement agreement. As of June 30, 2021, the total provision is equal to USD 15.7 million (Euro 13.2 million), out of which classified as long-term is approximately USD 6.7 million (Euro 5.6 million) while short-term is USD 9.0 million (Euro 7.6 million). The profit or loss accrual recognized in the first semester 2021 is equal to USD 5.4 million (Euro 4.5 million).

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

Medacta has responded to the complaint by asserting defenses that the patent claims are not infringed and are invalid. The case was stayed because Medacta, with co-petitioners, filed petitions for Inter Partes Review before the Patent Trial and Appeals Board challenging the validity of the patents. In its final written decision, the PTAB did not find any of the claims to be unpatentable. The co-petitioners have appealed this ruling. The stay has been lifted in the district court litigation. Currently, the parties are preparing Markman briefs, with a hearing scheduled for October 1, 2021, and fact discovery closes on December 15, 2021.

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

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

The parties have completed fact discovery and have exchanged expert reports. The parties recently agreed to revisit settlement discussions, and the case is currently stayed through October 11, 2021 to allow them to further discuss settlement. The parties have previously engaged in two rounds of mediation with the Magistrate Judge.

In connection with the above patent matter, the Group in agreement with what prescribed by IAS 37 recognised a provision of approximately Euro 0.7 million accrued in 2020.

ALLEGED CRIMINAL OFFENSES UNDER GERMAN LAW

In August 2021, we have submitted to the public prosecutor's office in Neuruppin a new statement, with the purpose to correct the police suspicions regarding the e-mails and documents and to request to discontinue the proceedings pursuant to § 170 ara. 2.

There is no fixed deadline by the public prosecutor's office. However, since the police and the public prosecutor's office are still in the process of dealing with the individual cases concerning other medical device manufacturers, a quick conclusion of the proceedings in 2021 is not expected.

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

6.11 RELATED PARTY TRANSACTIONS

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

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

OPERATING TRANSACTIONS

During the first six months 2021 Medacta International made contributions to Medacta for Life Foundation for Euro 160 thousand, a non-profit organization owned by the Siccardi Family.

Mr. Philippe Weber became member of the Board of Directors of Medacta Group SA on March 21, 2019. Niederer Kraft Frey Ltd, a law firm at which Mr. Philippe Weber is a partner, provided legal services to the Group. The fees for his professional services provided during the first six months 2021 are recognised in the General and Administrative expense line item for an amount equal to Euro 18 thousand.

6.12 ATYPICAL AND/OR UNUSUAL OPERATIONS

During the first six months of 2021, the Group did not carry out any atypical and/or unusual operations.

6.13 CONTINGENCIES AND COMMITMENTS

The Group, as of June 30, 2021, contracted purchase commitments, mainly relating the acquisition of instruments, for a total amount of Euro 12.2 million (as of December 31, 2020: Euro 8.3 million).

As of June 30, 2021, tangible fixed assets for a total amount of Euro 15'838 thousand (as of December 31, 2020: Euro 16'312 thousand) have been pledged as collateral for borrowing facilities.

The Group as of June 30, 2021 and as of December 31, 2020 had unused current credit lines of Euro 97'604 thousand and Euro 98'610 thousand, respectively.

6.14 SUBSEQUENT EVENTS

As of July 12, 2021, Medacta USA, Inc. and Medacta International SA have entered into an agreement with MicroPort Orthopedics, a subsidiary of MicroPort Scientific Corporation, to settle a suit accusing of patent infringement and tortious interference with contract. The settlement also resolves MicroPort's claims against its former distributor, Advanced Surgical Devices, Inc. Accordingly, all matters referred to as 'the MicroPort Matter' in Note 6.10 "Litigations" of this report, are fully, finally and completely settled.

7. INDIPENDENT AUDITOR'S REPORT

Deloitte.

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

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

Introduction
We have reviewed the interim condensed consolidated financial information of Medacta Group SA, which comprises the interim consolidated statement of financial position as at 30 June 2021, the interim consolidated statement of profit or loss, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes to the interim condensed financial Information (from page 18 to page 33).

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information for the six-month ended 30 June 2021 are not prepared, in all material respects in accordance with IAS 34 –"Interim Financial Reporting".

Deloitte SA

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

Lugano, 9 September 2021

INVESTOR CALENDAR

13-15 SEPTEMBER
2021
VIRTUAL INTERNATIONAL INVESTOR ROAD SHOW

14 SEPTEMBER
2021
MORGAN STANLEY GLOBAL HEALTHCARE CONFERENCE

17 SEPTEMBER
2021
UBS BEST OF SWITZERLAND CONFERENCE

4 NOVEMBER
2021
ZKB SWISS EQUITY CONFERENCE

10 NOVEMBER
2021
UBS EUROPEAN VIRTUAL CONFERENCE

16 NOVEMBER
2021
CREDIT SUISSE EQUITY FORUM SWITZERLAND

FORWARD-LOOKING INFORMATION DISCLAIMER

This Half-Year Report has been prepared by Medacta and includes forward-looking information and statements concerning the outlook for its business. These statements are based on current expectations, estimates and projections about the factors that may affect its future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as 'expects,' 'believes,' 'estimates,' 'targets,' 'plans,' 'outlook' or similar expressions. There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this Report. The COVID-19 outbreak has caused, and may continue to cause, economic instability and a significant decrease of total economic output in the affected areas and globally. The impact of the COVID-19 outbreak on the general economic environment in the markets in which Medacta operates remain uncertain and could be significant. In addition, other important factors that could cause such differences include: changes in the global economic conditions and the economic conditions of the regions and markets in which the Group operates; changes in healthcare regulations (in particular with regard to medical devices); the development of our customer base; the competitive environment in which the Group operates; manufacturing or logistics disruptions; the impact of fluctuations in foreign exchange rates; and such other factors as may be discussed from time to time. Although Medacta believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

NEXTAR™

AUGMENTED REALITY SURGICAL PLATFORM

Look **beyond** the **ordinary**

Next-generation Augmented Reality surgical platform based on proprietary single use technology, improving efficiency and accuracy in computer-assisted surgery with a low upfront capital investment and low cost per procedure.

NextAR is the latest addition to Medacta's MySolutions platform, providing personalized solutions that will support the surgeon to take care of patients as individuals. Together with our comprehensive implant portfolio and surgical techniques, MySolutions empowers Medacta's holistic approach to personalized medicine.

"Patients and surgeons are attracted by improved outcomes and innovation, the NextAR™ Platform is one Medacta answer to the current race in orthopaedic technology and I am very excited about this milestone achievement. Requiring a very limited investment in capital equipment, the NextAR™ Platform perfectly represents Medacta's commitment to develop solutions that are able to improve patient outcomes and healthcare system sustainability."

Francesco Siccardi, Chief Executive Officer

AUGMENTED REALITY

The perception of real-life environments can be enriched with useful information, measured in real time by the system and displayed on NextAR Smart Glasses worn by the surgeon. This is superimposed on the operative field of view in a highly intuitive way, enabling enhanced decision making and optimizing surgery.

ADVANCED PLANNING

The protocol is based on CT derived images. These enable an accurate and personalized plan to optimize implant positioning and joint balancing. NextAR is a cloud-based system based on MySolutions platform, accessible from any device.

SMART DELIVERY TOOLS

NextAR TS (Tracking System) enables real-time instruments guidance and accurate implant positioning. The infrared single-use modules add intelligence to surgery without compromising procedural flow or O.R. logistics.

HEALTHCARE SUSTAINABILITY

Sustainability is a fundamental pillar of Medacta's strategy, in environmental, economic and social terms. NextAR embodies this philosophy while providing an advanced system with unique value.

CONTACTS

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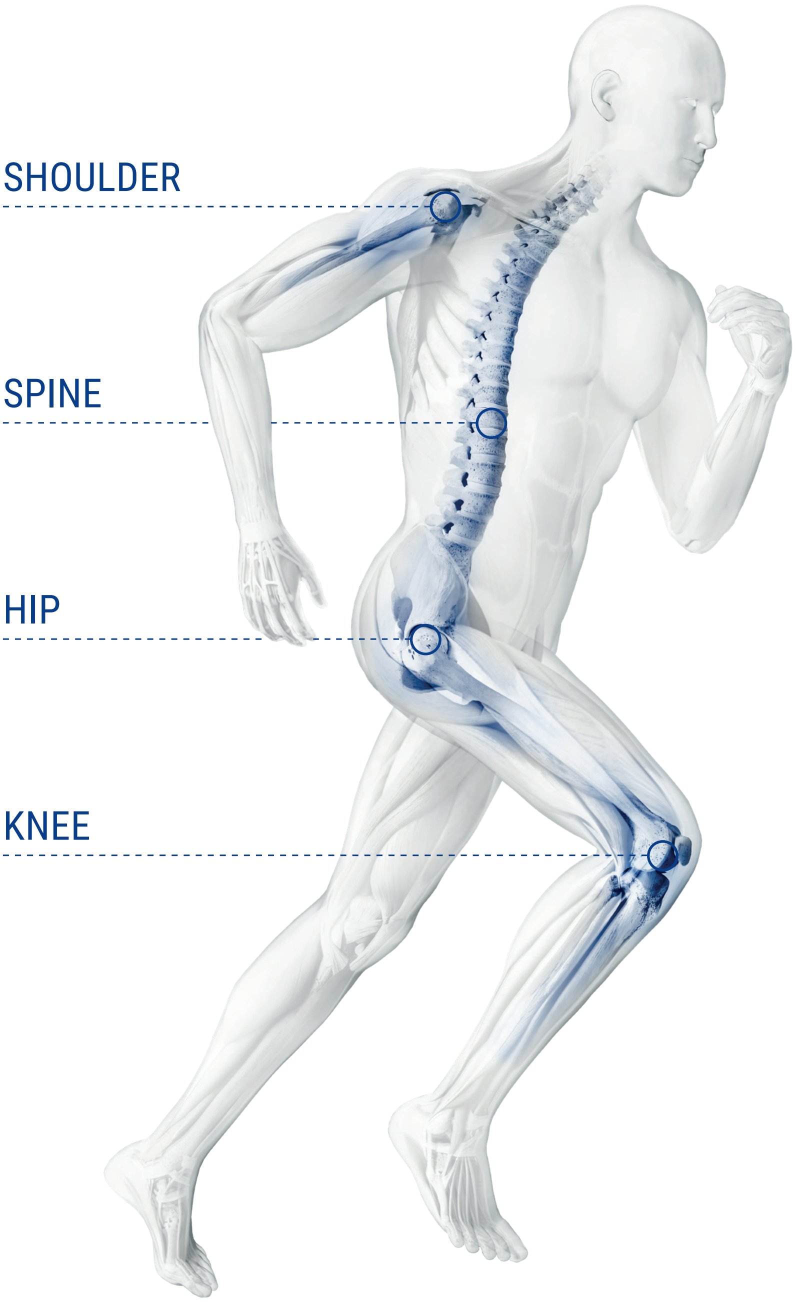

REDEFINING BETTER
IN ORTHOPAEDICS
AND SPINE SURGERY

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