Medacta International

ANNUAL REPORT 2021

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From minimally invasive surgery to

Personalized Medicine and beyond

Medacta International

MANAGEMENT REPORT

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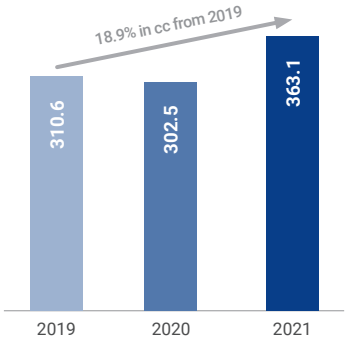
2021 KEY FINANCIAL FIGURES

REVENUES

EUR 363.1M

21.4% before FX effects from prior year[1]
18.9% growth in constant currency from 2019

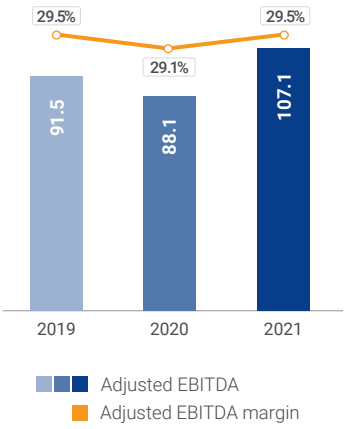


[1] Is calculated as the difference between the current and historical period results translated using the current period exchange rates.

ADJUSTED EBITDA[2]

EUR 107.1M

29.5% Adjusted EBITDA margin[3]



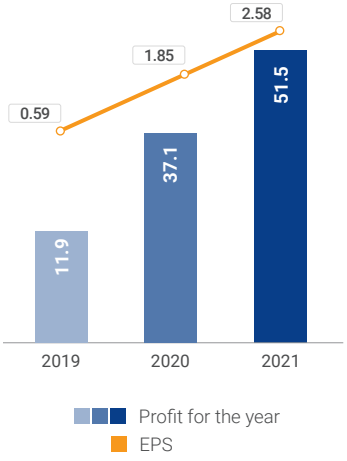
[2] Is calculated as EBITDA, adjusted for non-recurring items: provisions on litigations and extraordinary legal expenses.

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

PROFIT FOR THE YEAR

EUR 51.5M

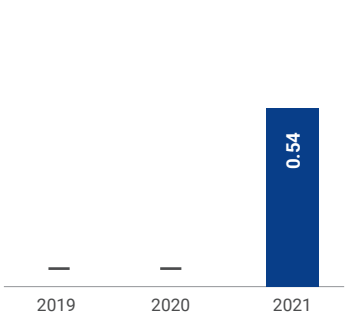
EUR 2.58 EPS[4]



[4] In the years ended December 31, 2019 and 2020, there is no effect of dilution, and diluted earnings per share equals basic earnings per share.

DISTRIBUTION DECLARED PER SHARE[5]

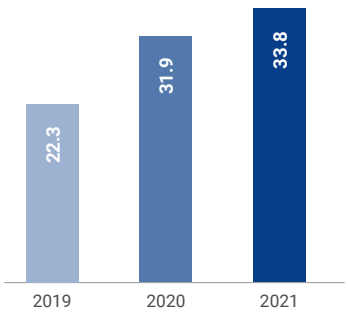
CHF 0.54



[5] Is calculated by dividing the total distribution declared equal to CHF 10.7M by the number of outstanding ordinary shares.

ADJUSTED FREE CASH FLOW[6]

EUR 33.8M

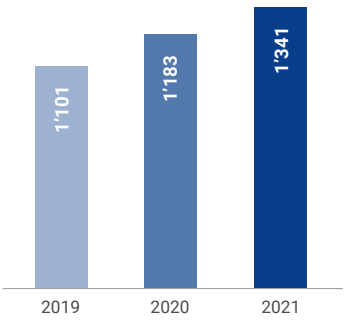


[6] Adjusted Free Cash Flow is calculated as IFRS cash flow from operating activities plus IFRS cash flow from investing activities and adjusted for certain non-recurring items.

YEAR-END EMPLOYEES TOTAL

1'341

158 new jobs added in 2021



2021 HIGHLIGHTS*

- Medacta's year-end revenue increased by 21.4% from 2020 and by 18.9% from 2019 at constant currency, to Euro 363.1 million;
- Adjusted EBITDA grew to Euro 107.1 million, corresponding to 29.5% margin;
- Profit for the year was equal to Euro 51.5 million, 14.2% on revenues;
- Adjusted Free Cash Flow was Euro 33.8 million, up 5.8% compared to prior period;
- Continued strategic salesforce expansion in all key markets and new product launches to sustain the future growth;
- The Board of Directors is proposing a distribution of CHF 0.54 per share;
- Outlook FY 2022: We are targeting revenue in the range of Euro 400 million to Euro 414 million at constant currency, and Adjusted EBITDA margin equal to 29% within a range of 100 basis points, subject to any unforeseen events.

REPORTED PERFORMANCE MEASURES

(Million Euro)	31.12.2021	31.12.2020
Revenues	363.1	302.5
Gross Profit	261.2	214.3
Profit for the year	51.5	37.1
Distribution proposal to the AGM 2022 (in CHF)	10.7	-
Alternative Performance Measures:		
EBITDA	99.2	86.5
Adjusted EBITDA*	107.1	88.1
Adjusted EBITDA margin*	29.5%	29.1%
Free Cash Flow	2.0	25.4
Adjusted Free Cash Flow**	33.8	31.9

(Million Euro)		
Total Assets	489.3	441.9
Total Equity	226.4	164.7
Equity Ratio	46.3%	37.3%
Number of employees	1'341	1'183

* Adjusted in 2021 for provisions on litigations (EUR 4.9 million), extraordinary legal expenses (EUR 3.0 million). The reconciliation is provided in the "Alternative Performance Measures" section of the Management Report.

** Adjusted for extraordinary legal expenses (EUR 3.0 million), for the settlement of the legal claim with MicroPort (Euro 5.9 million), extraordinary tax payment (EUR 18.3 million) and non-recurring investments (EUR 4.6 million). Please see the "Alternative Performance Measures" section of the Management 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 on page 19. 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, 2021*	19'989'993
Nominal value per registered share (in CHF)	0.10
Number of treasury shares *as of December 31, 2021*	10'007

2021 DATA PER SHARE

(Swiss Francs)	**31.12.2021**
2021 High (in CHF)	173.00
2021 Low (in CHF)	85.80
Closing price (in CHF)	142.00
Market capitalization (in CHF million)	2'840

2021 RELATIVE SHARE PRICE DEVELOPMENT

Index base 100 calculation
Source: Refinitiv

LETTER TO SHAREHOLDERS

Dr. Alberto Siccardi

Francesco Siccardi

Dear Shareholders,

During a year still affected by the COVID-19 pandemic, we were able to deliver strong top-line growth, margin expansion, and solid cash flow. Our 21.4% revenue growth in 2021 and 18.9% since 2019, the pre-COVID year, proves our remarkable gain of market share once again. During the year, we continued executing our strategy based on three pillars of innovation, medical education, and international salesforce expansion, preparing our future growth.

OUR ACHIEVEMENTS

In 2021, we continued to develop and introduce into the market new products and solutions with the aim of improving patient well-being and facilitating the work of medical professionals, healthcare administration, as well as logistics staff. In 2021, innovation continued and over 50 new products across all our business lines were registered.

NextAR™ is our Augmented Reality Surgical Platform that empowers the surgeon's vision with unique real-time surgical guidance superimposed onto the operative field to make data-driven decision-making. NextAR is the first platform to offer Augmented Reality solutions for both joint replacement and spine procedures. Currently, all the applications are in Limited Market Release to build a Reference Center Network. In line with our philosophy of healthcare sustainability, a single hardware with limited capital investment and per-case disposable cost is able to host different applications, with additional economic benefits for the healthcare systems. Therefore, NextAR may be the optimal solution worldwide, and particularly for the U.S. Ambulatory Surgery Centers ("ASCs").

In the Hip business line, we further enhanced the AMIS technique with the comprehensive AMIS Bikini offering. We expanded our Hip Revision Platform and, with regard to new technologies, we introduced personalized solutions with 3D preoperative planning and intraoperative verification (MyHip Planner and MyHip Verifier) as part of our MySolutions Personalized Ecosystem. In the Knee business line, we continued our focus on Kinematic Alignment, a technique that is becoming more and more interesting and in demand by the market, with our MyKA Platform. We introduced SensiTiN hypoallergenic implants and new revision options, together with the MyKnee-R patient-matched solution, a game-changing technology to streamline total knee revision surgeries. In the Shoulder business line, we introduced stemless and revision humeral implants, in addition to SensiTiN implant options, and in our Sportsmed business line, we further expanded our indications in arthroscopic knee, shoulder and hip surgery. In the Spine business line, we further demonstrated our commitment to personalized and minimally invasive procedural solutions by expanding the MySpine offering and our cervical and MIS platforms.

In 2021, medical education returned to a normal situation, with a significant increase compared to 2019. Decentralized marketing and educational activities proved to be very effective at engaging surgeons and supporting customer acquisition. We further strengthened our M.O.R.E. in Touch program, a series of webcasts including eLearning Classes, eLearning Centers, live surgery specimen demonstrations, and web-based "Meet the Expert" exclusive events, hosted by Medacta TV. We launched a new platform for remote proctoring activities empowered by augmented reality.

In 2021, more than 150 new jobs were added across all geographies, including significant salesforce expansion, and we continued to invest strategically in additional surgical instruments to serve new customers.

STRONG GROWTH IN ALL REGIONS AND BUSINESS LINES*

In 2021, revenue increased 21.4% at constant currency and 20.0% on a reported currency over the prior year, at EUR 363.1 million, with positive contributions from all business lines and geographies. The growth was driven by significant carry-over and customer acquisition, in addition to normalization of surgical activities, which were limited by further pandemic restrictions throughout the year. Currency development had a negative impact with a headwind of 1.4%, mainly due to the strengthening of the Euro against the US Dollar, the Swiss Franc and the Japanese Yen, only partially compensated by the Euro weakening against the Australian Dollar.

From 2019, revenue increased 18.9% at constant currency.

In terms of trend by business line, revenue from our Hip products increased to EUR 179.3 million, or 17.8% on a constant currency basis; the growth was driven by the AMIS strategy supported by the roll-out of new products. From 2019, Hip revenue grew 10.7% at constant currency. Revenue from our Knee offerings were EUR 131.1 million, an increase of 24.8% on a constant currency basis; the good momentum was generated by MyKA Platform, Efficiency single-use instruments and GMK Sphere medially-stabilized knee. From 2019, Knee revenue increased 19.7% at constant currency. Our Extremities business line reported an increase in revenue of 35.4% on a constant currency basis to EUR 19.0 million; the growth was driven by the acquisition of new customers through the completeness of the Medacta Shoulder System, supported by personalized solutions like MyShoulder and NextAR, and the expansion of the Sportsmed product offering. From 2019, Extremities revenue increased 98.5% at constant currency. Revenue from our Spine offering grew by 20.4% on a constant currency basis to EUR 33.8 million, driven by the expansion of MIS Platform and MySpine offering that was enlarged to include new indications such as deformities. From 2019, Spine revenue increased 38.2% at constant currency. All the business lines benefitted from significant salesforce and marketing expansion.

In terms of geographic trend, revenue in Europe registered an increase of 21.2% on a constant currency basis to EUR 156.4 million. All countries registered a solid growth despite COVID-19 restrictions in Q1 and Q4. From 2019, revenue in Europe increased 14.2% at constant currency. Revenue in North America increased to EUR 109.2 million, or 21.9% on a constant currency basis, thanks to customer acquisition, salesforce expansion and increased activity level in ASCs, which was limited by hospital staffing shortages and COVID-19 restrictions. From 2019, revenue in North America increased 20.7% at constant currency. Revenue in Asia Pacific grew by 17.5% on a constant currency basis to EUR 84.9 million, mainly driven by the attainment of new customers, despite pandemic restrictions in Australia in 2H. From 2019, revenue in Asia Pacific increased 28.4% at constant currency. Revenue in RoW were EUR 12.6 million, a growth of 50.3% on a constant currency basis, thanks to increased purchases from stocking distributors and the creation of new distributors in the Middle East and Latin America. From 2019, revenue in RoW increased 6.7% at constant currency.

GROSS PROFIT PERFORMANCE *

The Gross Profit was EUR 261.2 million compared to EUR 214.3 million in the previous year. The Gross Profit margin was equal to 71.9% compared to 70.8% in 2020. The change was primarily due to a positive leverage impact, partially compensated by expected price reductions in certain countries, negative geographic mix, and currency development.

STRONG EBITDA MARGIN *

The Adjusted EBITDA amounted to EUR 107.1 million (EUR 88.1 million in 2020), corresponding to a margin of 29.5% compared to 29.1% in 2020. This increase reflects primarily the leverage on fixed costs from higher sales volumes.

SOLID BALANCE SHEET

Medacta's balance sheet remains robust, with total assets increasing to EUR 489.3 million and an equity ratio of 46.3% at the end of the reporting period (37.3% in 2020). The Adjusted Free Cash Flow generated in 2021 amounted to EUR 33.8 million (EUR 31.9 million in 2020), after significant investments in new instruments and development to sustain the future growth of Medacta.

REMARKABLE STOCK PRICE GROWTH AND PROPOSAL OF DISTRIBUTION

The Medacta stock price experienced impressive growth in 2021, equal to 62% compared with 23% of the SPI Swiss Performance Index.

The strong economic and financial results of the year and the robust balance sheet allow to reward our shareholders. Therefore, our Board of Directors is proposing to the Annual General Meeting the distribution of CHF 0.54 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

In 2022, we will continue to prioritize our future growth through a further expansion of our international salesforce, with a focus on the US market. In addition, we remain committed on product innovation with several full market releases expected during the year, starting from the shoulder application of our NextAR Augmented Reality Surgical Platform.

We are targeting 2022 revenue in the range of EUR 400 million to EUR 414 million at constant currency and Adjusted EBITDA margin to be equal to 29% within a range of 100 basis points. The persistent impact of the COVID-19 pandemic and hospital staffing shortage, which was still strong in some geographies in the first months of this year, together with inflation, supply chain and geo-political issues, may negatively affect our performance.

THANKS

We would like to thank all our employees for their commitment, resilience, and performance, and to our customers and suppliers for their collaboration and support in this challenging time.

Sincerely,

Dr. Alberto Siccardi
Chairman of the Board of Directors

Francesco Siccardi
Chief Executive Officer

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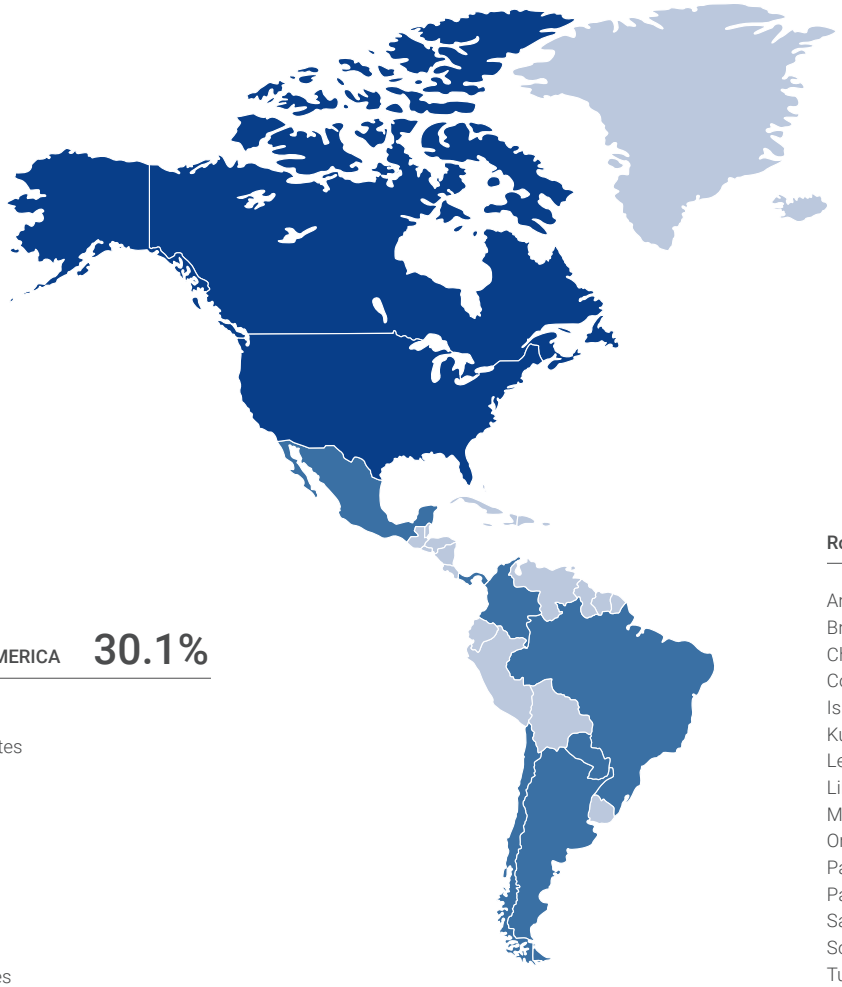
1. MANAGEMENT COMMENTARY*

CORPORATE INTRODUCTION

We are an international company specialized in the design, production and distribution of innovative orthopaedic 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 orthopaedic revenue, according to Orthoworld.

Today, our primary focus is on our high-volume Hip and Knee business lines (which generated 49.4% and 36.1%, respectively, of our reported revenue in 2021), 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 success to date is evidenced by our financial profile, with a constant currency revenue CAGR of 13.2% between 2016 and 2019 and despite the impact of the COVID-19 pandemic, in 2021 we recognized an increase in revenue of 18.9% at constant currency from 2019, leading to revenue of EUR 363.1 million, an Adjusted EBITDA margin of 29.5% and an Adjusted EBIT margin of 18.4% for the year ending December 31, 2021.



NORTH AMERICA **30.1%**

Canada
United States

RoW **3.4%**

Argentina
Brazil
Chile
Colombia
Israel
Kuwait
Lebanon
Libya
Mexico
Oman
Panama
Paraguay
Saudi Arabia
South Africa
Tunisia
UAE

■ Branches
■ Distributors

* **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 on page 19. 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.

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 480'000 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. We have introduced the MyPractice Development Plan to further support surgeons in their patient education efforts and improve patient understanding and experience of our products and techniques.

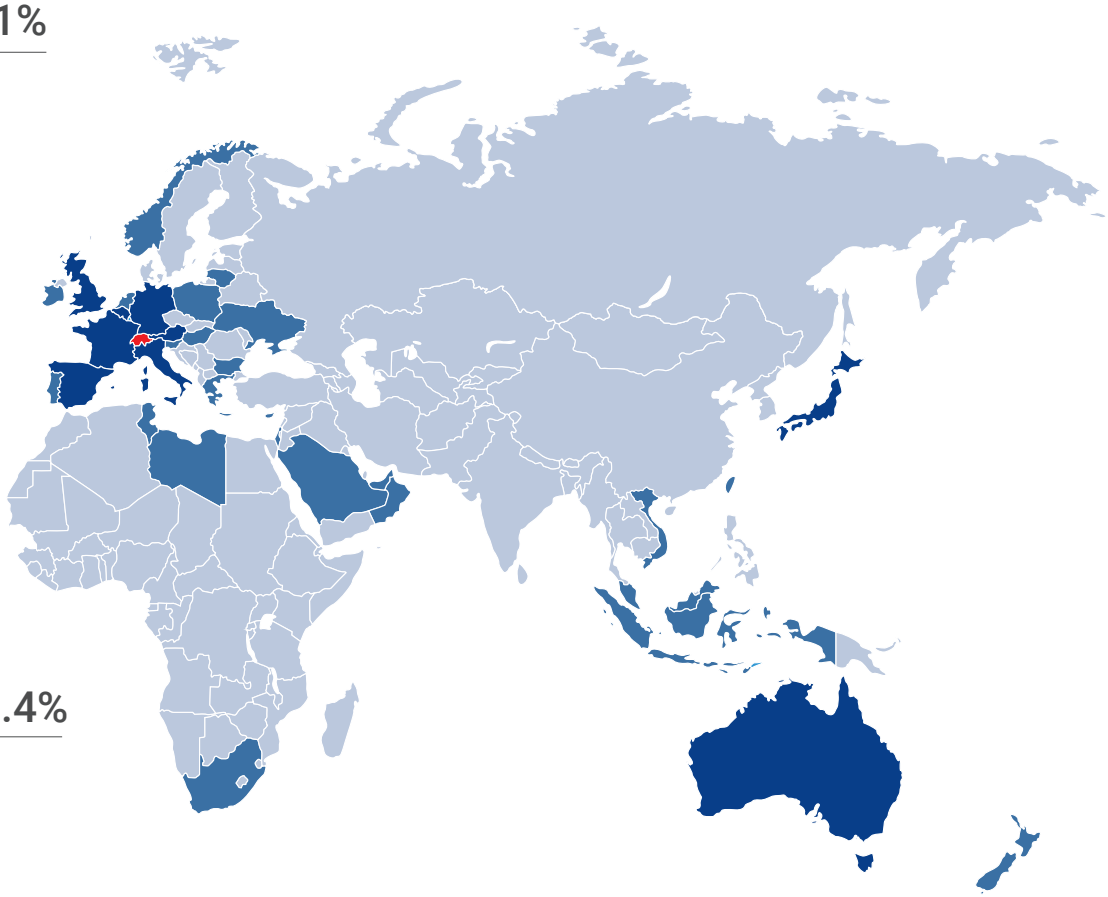
Our headquarters and well-invested and high-quality manufacturing facilities are in Castel San Pietro, Switzerland and Rancate, Switzerland, where we have 713 employees in the aggregate as of December 31, 2021. Our sales organization is spread over 12 branches and we serve through Stocking Distributors 33 additional countries, with an international sales reach that extends to the attractive markets of Europe, North America and Asia Pacific, where we generated 43.1%, 30.1% and 23.4% of our revenue, respectively, for the year ending December 31, 2021. Our experienced salesforce are instrumental in achieving international acceptance and adoption of our products and techniques.

EUROPE **43.1%**

Austria
Belgium
Bulgaria
Cyprus
France
Germany
Greece
Hungary
Ireland
Italy
Lithuania
Netherlands
Norway
Poland
Portugal
Slovenia
Spain
Switzerland
Ukraine
United Kingdom

ASIA PACIFIC **23.4%**

Australia
Indonesia
Japan
Malaysia
New Zealand
Taiwan
Vietnam



BUSINESS PERFORMANCE

EXECUTIVE OVERVIEW

Our 2021 performance was still impacted by the COVID-19 pandemic, nevertheless, the Group was able to deliver strong top-line growth, margin expansion, and solid cash flow results. Significant carry-over and customer acquisition, in addition to normalization of surgical activities, resulted in 21.4% revenue growth at constant currency (20.0% reported) in 2021, with positive contributions from all business lines and geographies. 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, delivering 35.4% revenue growth at constant currency (31.7% reported). This strong performance was limited by further pandemic restrictions occurred during the second semester due to the highly transmissible Delta and Omicron variants which along with staffing shortages at hospitals, resulted in further deferrals of elective surgical procedures. Although our 2021 performance was limited by the pandemic resurgence, we were able to close our second semester growing our top-line by 10.1% at constant currency, when compared to the same prior year period which benefited from pent-up demand.

In 2021 profitability returned to pre-COVID levels, with our Adjusted EBITDA margin at 29.5%. This result reflects primarily the leverage on fixed costs from higher sales volumes partially compensated by negative price trends in almost all markets and higher research and development ("R&D") spending on maintenance and post market surveillance projects. The 2021 Adjusted Free Cash Flow amounted to EUR 33.8 million, 5.8% higher than 2020 thanks to the increase in CORE operating profit only partially offset by an increase in investing activities in instruments to sustain the Group's growth. Based on the solid results achieved in 2021, the Board of Directors decided to propose to the Annual General Meeting a distribution of CHF 0.54 per share.

Despite the ongoing challenging environment, Medacta delivered a strong year of financial results. Our people, products and our cultural values give us confidence in maintaining this momentum of record-level results.

SALES VOLUME, PRICING AND GEOGRAPHICAL MIX

Our revenue increased by EUR 60.6 million, or 20.0%, from EUR 302.5 million in 2020 to EUR 363.1 million in 2021 on a reported currency basis (21.4% on a constant currency basis), with positive contribution from all business lines and geographies. Pricing pressure from governmental healthcare systems and geographic and product mix sales had a negative effect on our global selling price. In addition, our revenue growth was partially affected by an exchange rate headwind equal to 1.4%. Specifically, during 2021 the EUR strengthened against USD and JPY (i.e. among our largest currency exposures) negatively impacting revenue translated into EUR from our operations in those countries and only partially compensated by the EUR weakening against AUD.

We analyse sales by four geographies, Europe, North America, Asia Pacific and RoW and by the following product categories: Hip, Knee, Spine and Extremities.

(Million Euro)	31.12.2021	% of total	31.12.2020	% of total	Reported Growth	Constant Currency Growth
Hip	179.3	49.4%	153.1	50.6%	17.1%	17.8%
Knee	131.1	36.1%	106.2	35.1%	23.4%	24.8%
Extremities*	19.0	5.2%	14.3	4.7%	33.0%	35.4%
Spine	33.8	9.3%	28.9	9.6%	16.9%	20.4%
TOTAL REVENUES	**363.1**		**302.5**		**20.0%**	**21.4%**

* Extremities include Shoulder and Sportsmed revenues.

Revenue from our Hip products increased by EUR 26.2 million, or 17.1%, from EUR 153.1 million in 2020 to EUR 179.3 million in 2021 on a reported currency basis (17.8% on a constant currency basis); the growth was driven by the AMIS strategy supported by the roll-out of new products. Revenue from our Knee offerings increased by EUR 24.8 million, or 23.4%, from EUR 106.2 million in 2020 to EUR 131.1 million in 2021 on a reported currency basis (24.8% on a constant currency basis). The good momentum was generated by MyKA Platform, Efficiency single-use instruments and GMK Sphere medially-stabilized knee.

Our Extremities business line, which includes Shoulder and Sportsmed, reported an increase in revenue by EUR 4.7 million, or 33.0%, from EUR 14.3 million in 2020 to EUR 19.0 million in 2021 on a reported currency basis (35.4% on a constant currency basis). Extremities product offerings growth was driven by the acquisition of new customers through the completeness of the Medacta Shoulder System, supported by personalized solutions like MyShoulder and NextAR, and the expansion of the Sportsmed product offering.

Revenue from our Spine offerings increased by EUR 4.9 million, or 16.9%, from EUR 28.9 million in 2020 to EUR 33.8 million in 2021 on a reported currency basis (20.4% on a constant currency basis). Group full year Spine performance results are primarily driven by the expansion of MIS Platform and MySpine offering that was enlarged to include new indications such as deformities.

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 as invoiced, as set forth in the table below.

(Million Euro)	31.12.2021	% of total	31.12.2020	% of total	Reported Growth	Constant Currency Growth
Europe	156.4	43.1%	129.3	42.7%	21.0%	21.2%
North America	109.2	30.1%	92.7	30.6%	17.8%	21.9%
Asia Pacific	84.9	23.4%	72.0	23.8%	17.9%	17.5%
RoW	12.6	3.4%	8.5	2.9%	48.0%	50.3%
TOTAL REVENUES	**363.1**		**302.5**		**20.0%**	**21.4%**

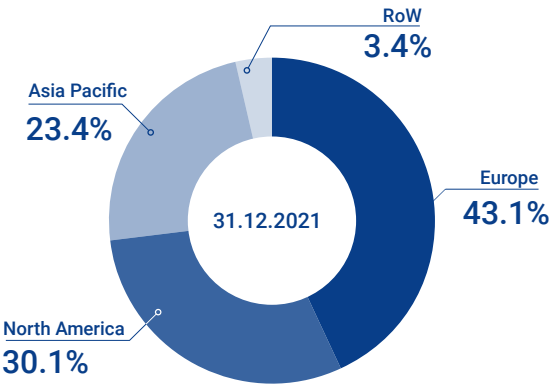
Revenue in Europe increased by EUR 27.1 million, or 21.0%, from EUR 129.3 million in 2020 to EUR 156.4 million in 2021 on a reported currency basis (positive 21.2% on a constant currency basis). The 2021 growth rate in Europe outpaced our reported Group-wide average revenue growth rate by 1%. All our European countries registered a solid growth despite COVID-19 restrictions in Q1 and Q4. As a percentage of our total revenue, revenue generated in Europe was higher than the prior year at 43.1% in 2021 (compared to 42.7% in 2020).

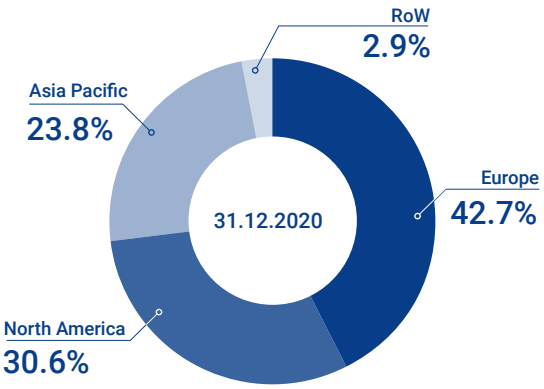
Revenue in North America increased by EUR 16.5 million, or 17.8%, from EUR 92.7 million in 2020 to EUR 109.2 million in 2021 on a reported currency basis (21.9% on a constant currency basis). The revenue generated in U.S., increased by EUR 16.2 million, or 17.6%, from EUR 92.2 million in 2020 to EUR 108.5 million in 2021 on a reported currency basis (21.7% on a constant currency basis). North America's performance was substantially in line with our strategy: we reported an increased level of activities in Ambulatory Surgery Centers (ASCs) which was limited by hospital staffing shortages and COVID-19 restrictions. However, our reported revenue in North America was affected by a negative headwind from the exchange rate. Specifically, during the course of 2021, the EUR strengthened against the USD by an average of 3.4% (compared to the average 2020 exchange rate), negatively impacting revenue translated into EUR. As a percentage of our total revenue, North America decreased to 30.1% (compared to 30.6% in 2020).

Revenue in Asia Pacific increased by EUR 12.9 million, or 17.9%, from EUR 72.0 million in 2020 to EUR 84.9 million in 2021 on a reported currency basis (17.5% on a constant currency basis). This result was mainly driven by the attainment of new customers, despite pandemic restrictions in Australia which affected the second semester. The Australian market contributed to this performance with an increase of EUR 9.4 million, or 22.8% (16.9% on a constant currency basis) while in the Japanese market revenue increased by EUR 4.0 million, or 14.2% (21.7% on a constant currency basis). Our reported revenue in Asia Pacific was partially sustained by a positive tailwind from the exchange rate. Specifically, in the course of 2021, the EUR weakened against the AUD by an average of 5.1% (compared to the average 2020 exchange rate), positively impacting revenue translated into EUR from our Australian operation. This positive translation impact was partially offset by the strengthening of the EUR against the JPY by an average of 6.1% (compared to the average 2020 exchange rate). As a percentage of our total revenue, Asia Pacific decreased to 23.4% in 2021 (compared to 23.8% in 2020).

Revenue in RoW area increased by EUR 4.1 million, or 48.0%, from EUR 8.5 million in 2020 to EUR 12.6 million in 2021 on a reported currency basis (50.3% on a constant currency basis). This region is covered by third-party distributors that we engage in certain non-core markets. The strong growth in RoW is sustained by both new distributors started in new markets and the expansion in markets where Medacta has already presence with existing stocking distributors. In particular, in 2021 Medacta expanded in the Middle East and Latin America. As a percentage of our total revenue, revenue from RoW increased to 3.4% in 2021 (compared to 2.9% in 2020).

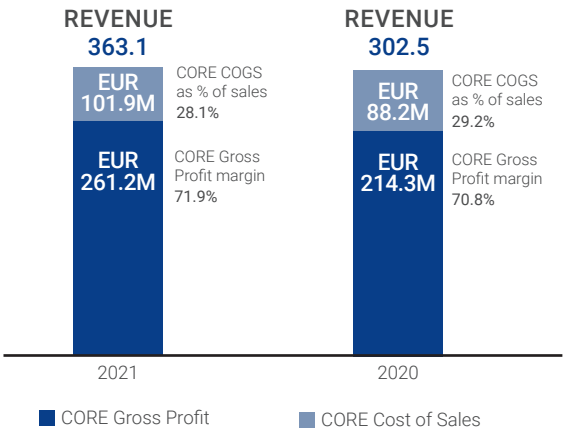
The graphics below provide an overview of our revenue by geography for the year December 31, 2021 and 2020.





COST OF SALES AND GROSS PROFIT

Our Gross Profit as a percentage of revenue increased from 70.8% in 2020 to 71.9% in 2021. Overall, this increase was mostly attributable to a positive leverage impact from the depreciation of surgical instruments, partially compensated by top-line erosion from declining price trends, geographic mix and negative currency development.



CORE EBIT PERFORMANCE*

(Thousand Euro)	31.12.2021	31.12.2020	Delta	Delta %
CORE Research and Development expenses	(11'306)	(6'829)	(4'477)	65.6%
CORE Sales and Marketing expenses	(132'555)	(110'069)	(22'486)	20.4%
CORE General and Administrative expenses	(50'937)	(45'212)	(5'725)	12.7%
CORE Other income	1'536	1'181	355	30.0%
CORE Other expenses	(1'301)	(2'252)	951	-42.2%
CORE OPERATING EXPENSES (OPEX)	**(194'563)**	**(163'181)**	**(31'382)**	**19.2%**
CORE OPERATING PROFIT (EBIT)	**66'684**	**51'075**	**15'609**	**30.6%**

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

CORE Research and development expenses

Expensed research and development costs are mainly related to base research, maintenance projects, depreciation and amortization expenses (including impairments), business expenses and other non-capitalized expenses. During 2021, 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 EUR 4.5 million, or 65.6%, from EUR (6.8) million in 2020 to EUR (11.3) million in 2021.

In 2021, depreciation and impairment increased by EUR 1.9 million, following the completion of key projects before the new European Medical Devices Regulation fully entered into force in the first semester 2021, that were fully developed between the end of 2020 and the first semester of 2021. As a consequence of the registration of all these new products we recognized a significant increase of post product release surveillance and maintenance projects for approximately EUR 1.3 million. Also wages and salary increased due to the absence of government subsidies obtained in 2020 for EUR 0.2 million.

CORE Sales and marketing expenses

Our CORE sales and marketing expenses increased by EUR 22.5 million, or 20.4%, from EUR (110.1) million in 2020 to EUR (132.6) million in 2021. CORE Sales and marketing expenses as a percentage of total revenue remained largely stable at 36.5% in 2021 compared to 36.4% in 2020.

In 2021 Medical Education came back to normal level with significant increase compared to 2019. Decentralized marketing and educational activities proved to be very effective at engaging surgeons and supporting customer acquisition. The increased number of travels, education, congresses and marketing expenses was equal to 0.6% weight on sales and is mainly reflecting the 2021 periodic lifting of travel restrictions. Wages and salaries increased but at a lower pace than revenue contributing to an increase in EBIT margin by 1.0%, compensated by an increase in commissions, driven by higher mix in turnover made through external agents versus direct salesforce. Currency development had a positive impact in our operational costs, primarily due to USD and JPY which weakened respectively by 3.4% and 6.1% from prior period.

CORE General and administrative expenses

Our CORE general and administrative expenses increased by EUR 5.7 million, or 12.7%, from EUR (45.2) million in 2020 to EUR (50.9) million in 2021. CORE general and administrative expenses as a percentage of total revenue decreased to 14.0% in 2021 from 14.9% in 2020. This decrease reflects primarily the leverage on fixed costs from higher sales volumes. In particular, wages and salaries, depreciation and other fixed costs increased but at a lower pace than revenue contributing to a positive contribution in CORE EBIT margin by 0.9%. This positive result was partially offset by the impact of COVID-19 consumable investments made to supply offices and manufacturing plants with masks, gloves, sanitizers and other equipment.

CORE Other income and expenses

Our CORE other income increased by EUR 0.4 million, or 30.0%, from EUR 1.2 million in 2020 to EUR 1.5 million in 2021. CORE other income as a percentage of total revenue remained largely stable at 0.4%. Our other expenses decreased by EUR 1.0 million, from EUR (2.3) million in 2020 to EUR (1.3) million in 2021 largely as a result of lower write-offs and loss on sale of tangible assets.

FINANCIAL INCOME AND COSTS

Our financial income decreased by EUR 2.6 million, or 53.2%, from EUR 5.0 million in 2020 to EUR 2.3 million in 2021, mainly due to the reduction of unrealized exchange gain in the amount of EUR 2.0 million. Our financial costs decreased by EUR 8.8 million, or 61.0%, from EUR 14.5 million in 2020 to EUR 5.6 million in 2021 primarily as a result of decreased exchange losses for EUR 10.5 million. Interests and bank charges are in line with prior period, with the average cost for financial debts being around 1.1%.

INCOME TAXES

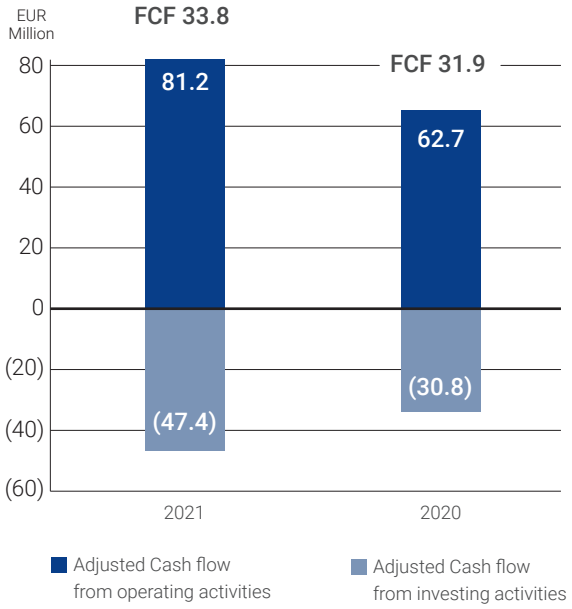
The Group effective tax rate is substantially in line with prior period at 7.1%. The 2021 total reported tax is equal to EUR 3.9 million, increased by EUR 1.1 million from EUR 2.8 million in the previous year. The 2021 Group's average tax rate is at approximately 17%. Starting from 2020, the Swiss tax reform provided the possibility to obtain a special tax deduction from taxable profits for qualifying profits arising from patent rights ("Patent Box deduction"). The Patent Box deduction had a positive impact in 2021 of around EUR 3.5 million (around EUR 2.3 million in 2020), lowering the effective tax rate by about 6.3% (5.7% in 2020). In addition, in 2021 we recognised a positive impact amounting to EUR 0.9 million due to the settlement of previous years' taxes accrued in excess and a positive impact amounting around EUR 1.4 million related to the Swiss tax reform which will enact a lower tax rate, from 17.3% to approximately 15.0% starting from January 1, 2025. The combination of these positive impacts further reduced our effective income tax rate by 4.5%.

ADJUSTED FREE CASH FLOW

The Adjusted Free Cash Flow increased from EUR 31.9 million in 2020 to EUR 33.8 million in 2021 as a result of the surge in CORE Operating Profit partially offset by an increase in investments in surgical instruments to sustain the Group's growth.

Adjusted for abnormals, 2021 cash flow from operating activities was equal to around EUR 81.2 million, compared to EUR 62.7 million as of December 31, 2020. The Adjusted cash flow from operating activities is composed of the reported cash flow from operating activities equal to EUR 54.1 million, adjusted by non-recurring legal costs for EUR 3.0 million, the 2021 MicroPort settlement payment of EUR 5.9 million and extraordinary tax payment of EUR 18.3 million made to settle accrued income taxes referred to FYs 2017 and 2018. The positive result from prior year is primarily driven by the increase in CORE operating profit.

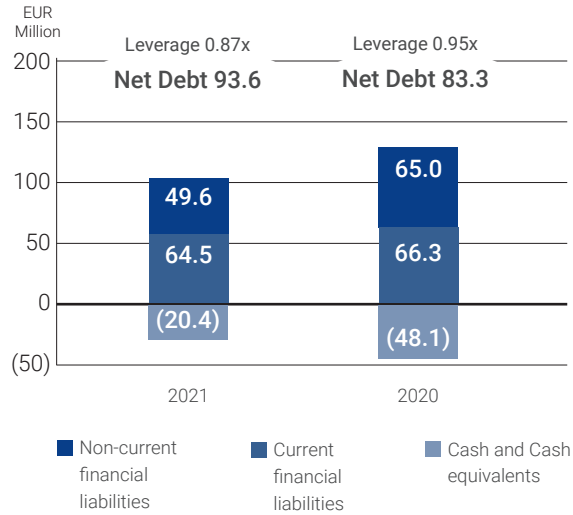
Reported cash flow from investing activities as of December 31, 2021 amounted to EUR 52.0 million mainly reflects net investments in surgical instruments, for EUR 35.0 million and in the research and development of new implants and instruments, for EUR 6.3 million. In 2021 cash flow from investing activities has been adjusted for the investments made to create new offices in our Rancate site for approximately EUR 4.6 million, decreasing the cash flow from investing activities to EUR 47.4 million. The previous year Adjusted cash flow from investing activities equal to EUR 34.2 million was adjusted by the cash paid to create new offices in our Rancate site for approximately EUR 3.4 million.



CAPITAL STRUCTURE

Group Net Debt in 2021 was equal to EUR 93.6 million, compared to EUR 83.3 million as of December 31, 2020. The increase of Group Net Debt is mainly due to the material reduction of our reported Free Cash Flow that reduced by EUR 23.4 million, due to the extraordinary payments made to settle the accrued income taxes referred to FYs 2017 and 2018 and the MicroPort settlement for a total amount of EUR 24.2 million.

Despite the increase in Group Net Debt, our leverage ratio decreased from 0.95 in 2020 to 0.87 in 2021. The improvement in our leverage ratio is primarily due to the additional EUR 19.0 million of Adjusted EBITDA generated during the year.



1.1 ALTERNATIVE PERFORMANCE MEASURES

The financial information provided in the selected sections of the 2021 Annual Report, including "Highlights Year 2021", "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 Statement as of December 31, 2021 and 2020. In addition to the CORE ratios we did not identify any normalization for the December 31, 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

December 31, 2021 (Thousand Euro)	IFRS	Provision on Litigations[1]	Legal costs[2]	CORE[3]
Revenues	363'126	-	-	363'126
Cost of Sales	(101'879)	-	-	(101'879)
GROSS PROFIT	**261'247**	**-**	**-**	**261'247**
Research and Development expenses	(11'306)	-	-	(11'306)
Sales and Marketing expenses	(132'555)	-	-	(132'555)
General and Administrative expenses	(58'844)	4'941	2'966	(50'937)
Other income	1'536	-	-	1'536
Other expenses	(1'301)	-	-	(1'301)
OPERATING PROFIT (EBIT)	**58'777**	**4'941**	**2'966**	**66'684**

OPERATING PROFIT (EBIT)	**58'777**	**4'941**	**2'966**	**66'684**
Depreciation and Amortisation	40'436	-	-	40'436
EBITDA	**99'213**	**4'941**	**2'966**	**107'120**
EBITDA MARGIN	**27.3%**			**29.5%**

[1] Provision on litigations are mainly related to the accrual for MicroPort. Refer to Note 6.25 "Litigations", paragraph "MicroPort matter".

[2] Legal costs incurred in 2021 are related to the extraordinary expenses incurred by the Group on litigations, refer to Note 6.25 "Litigations".

[3] References to "Adjusted" are th+A1e equivalent to "CORE" references (i.e. Adjusted EBITDA and CORE EBITDA are interchangeable).

2020 CORE RESULTS RECONCILIATION

December 31, 2020 (Thousand Euro)	IFRS	Provision on Litigation[1]	Legal costs[2]	Release of tax Provision[3]	CORE[4]
Revenues	302'492	-	-	-	302'492
Cost of Sales	(88'236)	-	-	-	(88'236)
GROSS PROFIT	**214'256**				**214'256**
Research and Development expenses	(6'829)	-	-	-	(6'829)
Sales and Marketing expenses	(110'069)	-	-	-	(110'069)
General and Administrative expenses	(47'472)	(840)	3'100	-	(45'212)
Other income	1'809	-	-	(628)	1'181
Other expenses	(2'252)	-	-	-	(2'252)
OPERATING PROFIT (EBIT)	**49'443**	**(840)**	**3'100**	**(628)**	**51'075**
OPERATING PROFIT (EBIT)	**49'443**	**(840)**	**3'100**	**(628)**	**51'075**
Depreciation and Amortisation	37'016				37'016
EBITDA	**86'459**	**(840)**	**3'100**	**(628)**	**88'091**
EBITDA MARGIN	**28.6%**				**29.1%**

[1] Combined effect due to the income recognized for the partial release of the provision on litigation accrued for MicroPort in 2019 and the accrual made on the patents litigation.
[2] Legal costs incurred in 2020 on litigations.
[3] Income related to the release of the Provision for the Canton tax accrued on parking.
[4] References to "Adjusted" are the equivalent to "CORE" references (i.e., Adjusted EBITDA and CORE EBITDA are interchangeable).

ADJUSTED FREE CASH FLOW RECONCILIATION

(Thousand Euro)	31.12.2021	31.12.2020
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**54'061**	**59'592**
Adjustments for:		
Legal costs	2'966	3'100
Settlement of legal claims	5'922	-
Incremental taxes paid in 2021[1]	18'254	-
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**81'203**	**62'692**
CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(52'042)**	**(34'193)**
Adjustments for:		
Rancate investments[2]	4'603	3'410
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(47'439)**	**(30'783)**
ADJUSTED FREE CASH FLOW	**33'764**	**31'909**

[1] In 2021 Medacta International SA paid income taxes for a total amount of CHF 24'846 thousand (EUR 22'990 thousand) out of which CHF 19'728 thousand (EUR 18'254 thousand) are related to the settlement of 2017 and 2018 fiscal years.
[2] In 2021, Medacta invested EUR 4'603 thousand in creating new offices in our Rancate site. This investment was completed in 2021.

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

ADJUSTED EBITDA (I.E., CORE EBITDA)

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

CONSTANT CURRENCY

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

OPEX

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

EQUITY RATIO

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

NET TRADE WORKING CAPITAL

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

FREE CASH FLOW

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

NET DEBT

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

LEVERAGE

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

2. THE MEDACTA GROUP IN BRIEF

Medacta was established in 1999 by Alberto Siccardi, our founder, chairman and former CEO, whose own journey as a patient convinced him of the importance of pioneering a new approach to joint replacement. In 2000, we inaugurated our headquarters, manufacturing facility and research and development site at Castel San Pietro, Switzerland. During the early years, we primarily sold total knee and total hip replacement implants in selected European markets. The first hip replacement procedure using our innovative AMIS technique was carried out in 2004, and it has since been performed in over 480'000 cases.

Medacta is a unique company in its field: it is founded by a patient

In 2004, we created the M.O.R.E. Institute with the purpose of educating and engaging with our customer surgeons, initially with a focus on how to optimally employ the AMIS technique. Following the initial success of our Hip business line, the first knee replacement using our GMK Primary System was performed in 2006. Subsequently, we expanded our efforts to the development of personalized patient solutions, and the first knee surgery using our patient-matched MySolutions technology took place in 2009. Few years later, we launched our GMK Sphere, a total knee implant designed to deliver maximum functional stability, which has since been implanted in more than 100'000 cases, achieving 10 years of successful clinical experience.

In 2009, we expanded into the spine segment of the orthopaedics market. Our team of engineers collaborated with expert international surgeons to develop specific and innovative solutions for the treatment of various degenerative spine conditions and spine deformities. In 2010, the first of our spine products was implanted in the U.S. To complete our portfolio, in 2016 we took the strategic decision to invest in a new Sportsmed business line. Our engineers, together with an international team of surgeons specialized in sports medicine, developed specific and innovative products for the treatment of ligament, tendon and muscular injuries of the knee, hip and shoulder.

In April 2019, the year of our 20th anniversary, we became a publicly listed company, officially entering the SIX Swiss Exchange. The 9th M.O.R.E. International Symposium that we held in Lugano, Switzerland, was the perfect occasion to celebrate these milestones.

In 2020, our commitment to developing highly innovative solutions led us to receive FDA-clearance for our NextAR Knee, the first FDA-cleared augmented reality surgical platform for total knee replacement.

2.1 VISION

Our vision is to improve the care and well-being of orthopaedic and spine surgery patients around the world 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.

2.2 MISSION

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.

IT'S TIME TO ACCELERATE

In 2021, our employees showed resilience, maturity, and adaptability to a new world where traditional approaches are no longer possible, accelerating innovation and providing the best possible service for healthcare professionals and patients.

The health and safety of our employees, customers and patients have always been our number one priority, and throughout 2021 we continued to assess and mitigate any risks, taking all the actions needed to limit the impact of the pandemic. The headquarters and most branches maintained remote working for the first two quarters, adhering to all Government guidance and more. We confirmed investments in Research & Development and accelerated our innovation process, registering over 50 new products across all our business lines.

"During another year heavily impacted by the limitations and the uncertainties of the pandemic, we protected our employees and our business while continuing to deliver strong results, sustained by the launch of new products, the hiring of salesforce and our medical education programs," says Francesco Siccardi, CEO of Medacta. *"More than ever, the values at the heart of our culture have allowed us to remain successfully focused on our long-term value creation strategy based on innovation, medical education and healthcare sustainability."*

Francesco Siccardi | CEO of Medacta

3. ASSETS TO COMPETE

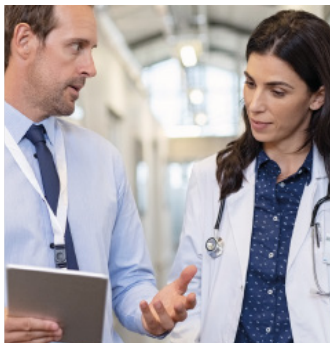
The orthopaedics market is characterized by continuous technological changes, frequent new product introductions and evolving industry standards resulting from technological advances and scientific discoveries. Our assets to compete in such a complex environment remain: innovation, education and healthcare sustainability.

3.1 INNOVATION

Innovation is of paramount importance at Medacta and is expressed in the originality of our surgical techniques, products and technologies. Innovation is the foundation of all our projects and the basis of our growth strategy. Our innovation began with minimally invasive techniques and has evolved into personalized solutions for every patient. We firmly believe in a responsible innovation, which is guaranteed by our M.O.R.E. Excellence Clinical Program, enabling us to responsibly introduce innovative products into the market.

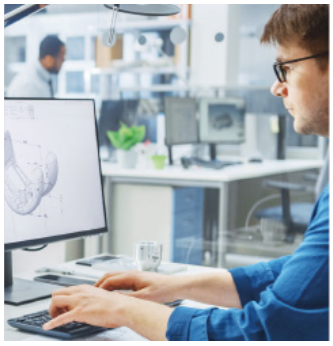
PILLARS

For us, 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.



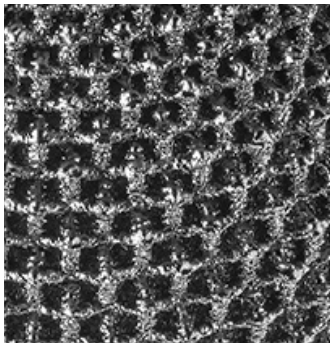
STRONG AND CONTINUED COLLABORATION WITH SURGEONS

Listening to surgeons, identifying patient requirements, and designing new solutions enables us to proactively respond to unmet clinical needs. 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 during activities of daily living and decreasing postoperative knee pain. The development of this innovative device has been possible thanks to the knee anatomy and kinematics studies by Prof. Freeman and Prof. Pinskerova.



RESEARCH AND DEVELOPMENT

Our R&D team is divided into three business units: Joint, Spine and Sportsmed. We have a range of research resources available in-house, including the MyBody database, 3D printing capabilities and facilities for prototype development. To reduce infection and patient remittance rates, we have expanded our research and development focus to surface technology with the development of antibacterial treatment for our implant portfolio. We carry out research on specific projects in collaboration with international centers, in particular university centers. We also have developed a proprietary augmented reality surgical platform providing efficiency and precision in computer-assisted surgery: NextAR Augmented Reality Surgical Platform.



CUTTING-EDGE TECHNOLOGIES

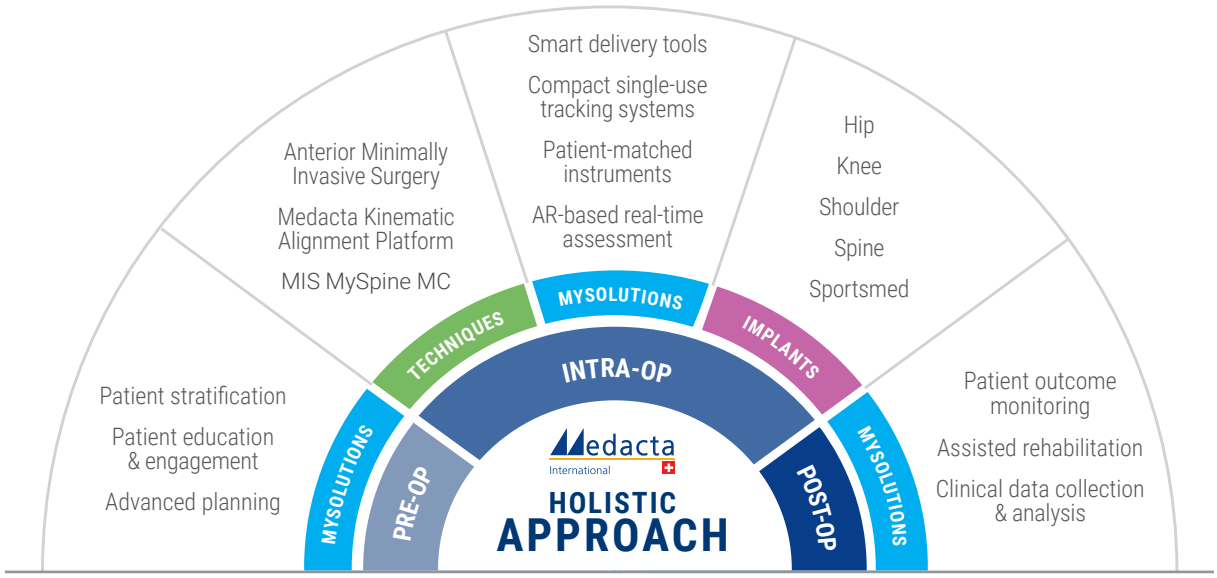
The development of our product pipeline is further supported by our research into and development of big data, cutting-edge manufacturing, smart robotics, navigation and surface technology, which together are characterizing our new generation of product offerings. We have developed a three-dimensional advanced structure, 3D Metal, based on 3D printing technology of the proven Titanium-Aluminum-Vanadium alloy, which enables direct structural connection with the bone. The architecture of the outer surfaces consists of interconnecting pores and resembles cancellous bone. We are also further developing our manufacturing capabilities through the use of 3D printing, which facilitates implant fixation and increases production speed and efficiency at lower costs.

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, reduced risk of dislocation and shorter rehabilitation time. Hence, we have developed new offerings on the basis of minimally invasive techniques. For example, in 2004 we have introduced the AMIS technique for hip replacements, which – together with our range of targeted AMIS education initiatives, dedicated implants and instruments, and complementary services and tools – offers a holistic approach to hip procedures and improved patient outcomes. With over 480'000 procedures performed worldwide, AMIS represents an easily reproducible technique that delivers significant benefits to patient well-being, while optimizing costs and efficiency for the surgeon. We also offer MIS MySpine MC, which is a patient-matched 3D printed solution for 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.

PERSONALIZED SOLUTIONS

The patient's well-being is at the heart of our vision and, therefore, it is of paramount importance in our activities. Considering that each patient is different and has specific needs and expectations, it is fundamental for us to improve the entire patient experience through a personalized journey. Technological advances have allowed us to develop a high-tech, seamlessly integrated system to empower the surgeon experience, enabling potentially better outcomes for the patients. MySolutions Personalized Ecosystem enables us to offer surgeons patient-matched surgical guides, advanced planning and verification software, as well as an augmented-reality-based surgical platform that can be used for the different anatomical regions. To improve the patient experience and help them feeling never alone we set up a patient optimized pathway tool, and to let surgeons record and measure their clinical outcome 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.



AUGMENTED REALITY

The crown jewel of MySolutions is NextAR, our Augmented Reality (AR) Surgical Platform. AR is the use of displays, cameras, and sensors to overlay digital information onto the real world. In the surgical sector, augmented reality can project three-dimensional representations of the patient's anatomy and surgical plan into the surgeon's field of view and guide them to reach the target for each surgical step, helping them to improve accuracy and patient outcomes.

MYSOLUTIONS PERSONALIZED ECOSYSTEM

Every patient is different. At Medacta we look beyond the ordinary, and this has led us to design an advanced network of digital solutions to improve patient outcomes and healthcare efficiency – the 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. This platform is constantly evolving and is based on cutting-edge technologies fine-tuned in collaboration with an international network of expert surgeons. Patient engagement, personalized 3D planning, precise execution and efficient case management are the pillars which guide us in building and improving this advanced platform.

PATIENT ENGAGEMENT

PERSONALIZED 3D PLANNING

PRECISE EXECUTION

EFFICIENT CASE MANAGEMENT

MySolutions Personalized Ecosystem is designed around the patient needs and expectations, with the aim to delivering value throughout the entire patient journey. This platform is based on patient-matched surgical guides, advanced planning and verification tools, augmented reality-based personalized execution, patient optimized pathway and clinical data collection and analysis.

PRE-OP

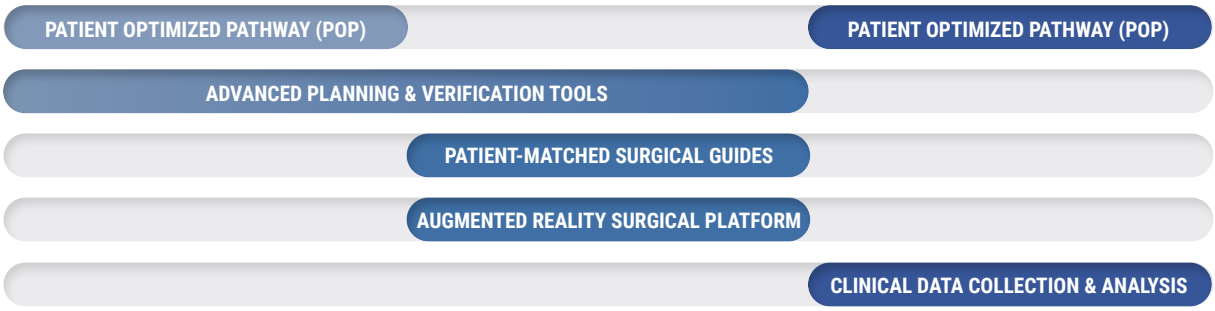
Engage and **educate** your patients, create **tailored plans** based on **advanced 3D analysis** and **collaborate** dynamically with medical teams.

INTRA-OP

Improve the **efficiency** and **accuracy** of surgery with **3D printed patient-matched** guides and unique augmented reality **real-time surgical guidance**.

POST-OP

Communicate and **stay connected** with your **patients** with advanced education and monitoring tools, and **record** and **analyze** clinical outcomes.



PATIENT OPTIMIZED PATHWAY (POP)

Optimize safe and efficient communication with patients, in order to improve their satisfaction with the overall treatment experience through the POP application. An easy-to-use interactive tool designed to support patient education, preparation, rehabilitation, and monitoring, before and after surgery.

ADVANCED PLANNING AND VERIFICATION TOOLS

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.

PATIENT-MATCHED SURGICAL GUIDES

Improve accuracy and operating room (OR) efficiency with our award-winning 3D printed patient-matched guides based on more than 10 years of clinical evidence.

CLINICAL DATA COLLECTION & ANALYSIS

Exploit meaningful insights into outcomes using MyClinicalData, our platform for data collection and analysis .

AUGMENTED REALITY SURGICAL PLATFORM

Empower your vision with NextAR, our Augmented Reality Surgical Platform. A unique real-time surgical guidance superimposed onto the operative field to enhance precision and enable data-driven decision-making. This innovative solution can increase efficiency with limited capital investment and per-case disposable cost.

NEXTAR™
AUGMENTED REALITY SURGICAL PLATFORM

3.2 EDUCATION

We believe that education is an indispensable tool for transforming innovation into concrete benefits for patients, surgeons and healthcare systems. For our surgeons, 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. We provide our surgeons with personalized, structured and accessible education on our technologies and procedures, which increases surgeon loyalty and ensures that our offerings are used to the best advantage of the patient and the surgeon. We also provide our surgeons with ongoing support and proctoring as they master the use of our technologies and procedures, and create an interactive and supportive community in which they can learn and share experiences with other surgeons.

With the M.O.R.E. Institute the surgeon is never alone when discovering new technologies

Medical education is a fundamental pillar of our long-term value-creation strategy, and despite the current challenging situation due to COVID-19, our commitment has not changed, with more than 1'500 surgeons attending educational Learning Centers, with scientific sessions in-person or online.

400th
AMIS LEARNING CENTER

200th
KNEE LEARNING CENTER

100th
SPINE LEARNING CENTER

Our systematic approach to customer development through education is a key factor of our success, allowing us to cultivate a strong partnership between us and our surgeon customers and facilitating the widespread adoption of our products and surgical techniques. We believe that our customer engagement and education initiatives contribute significantly to our customer retention, surgeon acceptance and use of our offerings. Moreover, we believe that our close partnership with surgeons benefits us in developing and refining our products and techniques. As a result of our focus on customer engagement, we remain continuously connected with surgeons and stay up-to-date with and influence the latest advancements in the orthopaedic field. We dedicate a considerable amount of resources to develop and cultivate our surgeon relationships. There is a learning process involved for surgeons to become proficient in the use of advanced products, and it is critical to the success of our commercialization efforts that enough surgeons are educated and trained in the use of our products. As we increase the scale of our business, we expect to continue to dedicate significant resources to our customer engagement and education initiatives.

In 2021, we extended our commitment to online educational activities, introduced last year due to pandemic limitations, with over 3'850 surgeons attending our marketing initiatives and education programs. The M.O.R.E. in Touch program, a series of webcasts discussing current topics in orthopaedic, was greatly enhanced with the staging of several eLearning Classes, eLearning Centers, the launch of live surgery specimen demonstrations, and web-based "Meet the Expert" exclusive events. These online events have been hosted by Medacta TV, which is our streaming platform providing access to many hours of medical education, supporting the scientific community and assisting surgeons in continuing their work while discussing and developing ideas to move forward the orthopaedic industry.

In 2021, we were able to organize many in-person events, such as M.O.R.E. Learning Centers as the 1st M.O.R.E. Spinopelvic summit in Australia, which highlights our commitment to bringing the medical community even closer, despite being in a time of physical distancing.

MEDACTA UNDERSCORES ITS CONTINUOUS GLOBAL COMMITMENT WITH THE 1ST M.O.R.E. SPINOPELVIC SUMMIT IN AUSTRALIA

The 1st M.O.R.E. Australian Spinopelvic Summit, held May 28-29, 2021 in Hobart, Tasmania, Australia represents an expansion of Medacta's International ongoing commitment to continuous medical education. This event gathered an Australian faculty with international guests to discuss personalized patient solutions for Total Hip and Spine surgery.

"It's a very interesting format promoting hip and spine surgeons to share their experiences in order to better understand the relationships between these anatomical structures and explore how to optimize mutual treatments for improving patient outcomes," says Francesco Siccardi, CEO of Medacta.

"Today we look at this synergy in a very complete and holistic way with our MySolutions Personalized Ecosystem of advanced technologies. Surgeons are at the center of our patient-specific solutions and we are committed to providing them with continuous support to allow their patients to come back to a healthy and active lifestyle" concludes Francesco Siccardi.

1st M.O.R.E. AUSTRALIAN SPINOPELVIC SUMMIT
28th - 29th MAY 2021
Hobart, Tasmania, Australia

3.3 HEALTHCARE SUSTAINABILITY

Our products and surgical procedures are designed to improve the patient well-being, facilitate the work of our surgeons and increase the sustainability of the healthcare system by improving efficiency while reducing surgical costs.

Our AMIS technique with its dedicated instrumentation, from the AMIS Mobile Leg Positioner to the AMIS MBOOT single-use insert pad, covers every aspect of the procedure with the aim of streamlining, simplifying and facilitating reproducibility of the anterior approach.

Sustainability is at the heart of our vision and is supported by our innovation and medical education

Furthermore, our patient-matched technology (i.e. MyKnee, MyHip, MyShoulder and MySpine), which is part of our MySolutions Personalized Ecosystem, facilitates accurate implant positioning and OR efficiency through advanced 3D preoperative planning and patient-specific instruments, with potential benefits both for the surgeon and the patient.

To further enhance the healthcare sustainability in knee procedures, we have developed single-use instrumentation (i.e. the GMK Efficiency system), which offers several benefits in terms of logistics and personnel costs to hospitals and, in particular, outpatient surgical centers. The GMK Efficiency system requires no additional preoperative sterilization, optimizing logistics for the surgeon and the hospital, and eliminating any delays due to unavailable or non-sterile equipment. It also has the potential of reducing infection risks, because of its single-use nature and the fact that it is delivered terminally sterile. For continuous environmental responsibility, we completely offset the total amount of CO_2 connected to GMK Efficiency. Through active support for environmental sustainability projects initiated by Swiss Climate, the Medacta GMK Efficiency instrumentation was awarded the "CO_2 neutral" certificate. Furthermore, as there is no need for washing or sterilization, GMK Efficiency can save more than 400 liters[1,2,3] of clean water for each total knee arthroplasty performed. In addition, such single-use instrument sets have a positive impact on our operating cash flow, as the production of these instruments is classified as inventory (as opposed to capital expenditures) and, thus, the return on the investment is realized more quickly. Procedures that combine patient-specific instrumentation with single-use instrumentation have proved to save time in the OR and simplify the OR scheduling.[4,5,6,7]

The NextAR Augmented Reality Surgical Platform, with its smart delivery tools, may improve efficiency in computer-assisted surgery by offering a compact solution that avoids the need for a bulky external detection platform. With a limited upfront capital investment and per-case disposable cost compared to other technologies, this translates into greater efficiency in the operating room, which is particularly relevant for Ambulatory Surgery Centers (ASCs).

GMK® Efficiency
SINGLE USE INSTRUMENTS
IN KNEE REPLACEMENT

[1] Getinge 46 Washer Disinfector – Service instructions;
[2] Recommendations for Cleaning, Decontamination and Sterilization of Medacta International Orthopedic Devices
[3] Priorclave North America Report, 2013
[4] 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
[5] 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.
[6] 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.
[7] 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.

ENABLING SOLUTIONS FOR OUTPATIENT CARE AND SAME-DAY SURGERY

For those seeking surgery in a same-day setting, we have created same-day surgery solutions, with the aim of achieving the best outcomes at the lowest cost in the outpatient setting.

Thanks to the introduction of Medacta's value proposition, the products suitable for same-day surgery and outpatient care, such as AMIS, GMK Efficiency, NextAR – Augmented Reality Surgical Platform, MyKnee, MyShoulder and MySpine MC, and the dedicated educational opportunities, such as the Learning Center visit, and the Reference Center visit, it is possible to share best practices and learn about the safe and effective use of our products in a same-day surgery setting, as well as to observe the complete process that a patient goes through when having surgery at a same-day surgery facility. This includes the admission/check-in process, the surgical procedure, the PACU (Post-Anesthesia Care Unit), and the discharge to home.

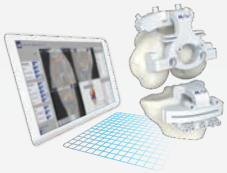
"*The medical landscape is changing by the day. To keep pace with the times and to be able to offer increasingly effective and beneficial solutions to the patients, surgeons and hospitals, our outpatient initiatives combine the company's innovations with tailored medical education programs and the suite of patient support services, enabling outpatient care and same-day surgery*," says Francesco Siccardi, CEO of Medacta.

PRODUCTS SUITABLE

AMIS Experience

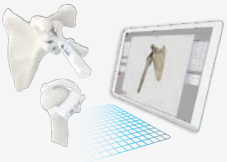
GMK Efficiency

NEXTAR



MyKnee

MyShoulder



MySpine MC

WAITING ROOM

OPERATING ROOM

PACU (Post-Anesthesia Care Unit)

DISCHARGE

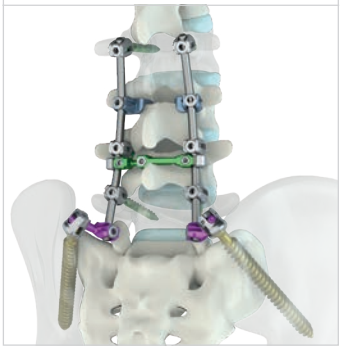
4. PRODUCTS AND BUSINESS LINES

4.1 OVERVIEW

We have grown considerably since our foundation in 1999, largely driven by our innovative and attractive product mix, surgical techniques and technologies, that differentiate us from our competitors. The cornerstone of our business has been our activities in the Hip and Knee business lines, where we have an established presence. More recently, we have leveraged the know-how we gained from the Hip and Knee business lines to develop new products and techniques in our Spine, Shoulder and Sportsmed business lines, in order to offer surgeons and patients the benefit of Medacta design, innovation and training across a wider range of orthopaedic indications. To further expand our product portfolio, our pipeline consists of a range of new products and product enhancements focused on personalized medicine, across all of our business lines. Our products are complemented by a wide range of instruments and technologies, that can enhance the patient experience throughout the entire patient journey.

JOINT

SPINE



SPORTSMED

M.O.R.E. EXCELLENCE CLINICAL PROGRAM

One of our main strategies have been and will continue to be the responsible introduction of innovative products into the market, which we achieve through extensive research and development followed by limited market release and continuous post-market surveillance.

The M.O.R.E. Excellence Clinical Program enables us to responsibly introduce innovative products to the marketplace by defining the steps and milestones applicable to Medacta products ahead of their full release, following the receipt of initial regulatory approvals (e.g., receipt of the CE mark in Europe). Within this program, we typically release new products on a restricted basis to conduct voluntary clinical programs in order to further document their efficacy. Driven by an internal risk analysis, the duration and scope of each of our clinical programs can vary depending on a number of factors, including the degree of innovation behind the relevant product, the specific indications of the device and the possible adverse events described in scientific literature. To the fullest extent possible, our clinical programs follow the guidelines recommended by independent organizations, such as the Orthopedic Data Evaluation Panel or the Beyond Compliance Program.

Following the full market release of our products, we continuously monitor and assess the performance of our implants by way of our post-market surveillance program, which channels all data to a dedicated group of internal experts. These experts, in consultation with other internal or external experts and resources (as needed), assess the data and issue a specific report with a comprehensive analysis to ensure the system performance is fully understood and the risks are carefully evaluated. Moreover we sponsor, support 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.

4.2 JOINT PRODUCTS AND TECHNOLOGIES

Our joint business unit is composed of three business lines: Hip, Knee and Shoulder, with the first two contributing 49.4% and 36.1%, respectively, to our revenues for the year ending December 31, 2021.

NEXTAR: AUGMENTED REALITY SURGICAL PLATFORM

An innovative solution that features advanced planning tools, revolutionary tracking system, and augmented reality to potentially improve surgery accuracy and efficiency in surgical procedures, with limited upfront capital investment and cost per case compared to other technologies.

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 case management is cloud-based and leverages the MySolutions Personalized Ecosystem, accessible from any device.

SMART DELIVERY TOOLS

NextAR TS (Tracking System), which is made up of two infrared single-use modules, enables real-time instruments guidance and accurate implant positioning without compromising procedural flow or OR logistics.

NEXTAR™

AUGMENTED REALITY SURGICAL PLATFORM

With our NextAR Platform we wanted to take another step forward in personalized medicine, improving accuracy in computer-assisted surgery. Efficiency in the operating room is crucial for surgeons and hospitals, and NextAR has the potential to provide significant benefits to healthcare systems around the world. We are proud to have developed an extremely versatile platform, with a single, compact hardware that applies to both joint and spine applications. NextAR perfectly fits in Medacta's vision and in our sophisticated MySolutions Personalized Ecosystem, focused on delivering advanced personalized solutions that support the surgeon's care of each patient.

Francesco Siccardi | CEO of Medacta

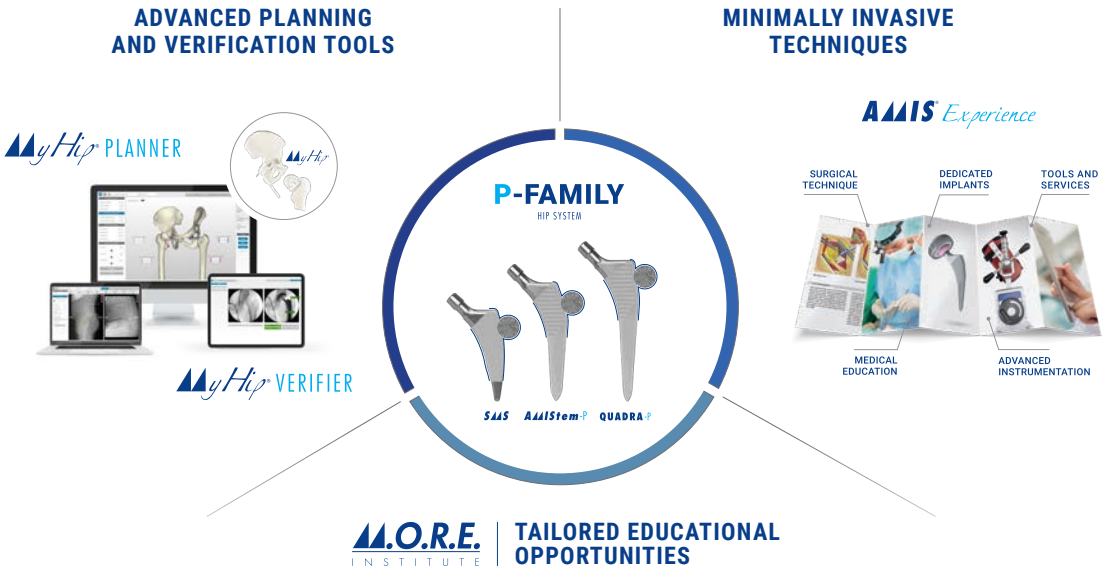
HIP

Since our founding in 1999, we have focused on developing new and improved products, technologies and methodologies for the hip segment of the orthopaedic market. In the intervening years, we have become a pioneer in developing new offerings for hip replacement patients on the basis of our minimally invasive surgical techniques, supported by our extensive surgeon training and education initiatives. We offer a wide portfolio of implants which can be used for primary procedures (i.e. first-time hip replacements), as well as revision procedures (i.e. repeat hip replacements), and have been designed to reach the highest standards of implant performance. We offer femoral hip implants and acetabular hip implants, grouped into those fixed with cement and those fixed without.

Personalized solutions and tailored education program for THA

The majority of our implants are cementless, relying on biological fixation of the bone to the surface of the implant. Our cemented implants use acrylic cement to quickly establish solid attachment. In collaboration with expert surgeons, we have also developed a range of instruments that are specifically designed for our implants and techniques in order to reduce errors and the learning curve. The Medacta P-Family Hip System, the core of our hip offering, is a comprehensive system of tapered rectangular stems, which includes Quadra-P, AMIStem-P, and SMS. While preserving the characteristics which are important to the success of existing systems, the P-Family was developed incorporating innovative key features aiming 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, 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, offering to the surgeon a better tool to restore the native hip joint biomechanics in a broader patient population. Different lengths and canal-filling dimensions, as well as comprehensive size range, giving surgeons the ability to match an implant to the patient's current bone morphology. The overall 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.

Our hip implants can be used with a variety of surgical techniques. However, we encourage all surgeons using our hip implants to perform the AMIS technique which potentially delivers several advantages for the patient.[8,9,10,11] The AMIS technique, with over 480'000 procedures performed worldwide, is a surgical technique involving an anterior approach to the hip that has been fine-tuned to minimize soft tissue damages, pain and recovery times, 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.



[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.

MYHIP PLANNER AND MYHIP VERIFIER

MyHip Planner and MyHip Verifier are two personalized solutions which are intended to be used in primary total hip replacement for patient-matched 3D preoperative planning and intraoperative verification. Designed to predict and minimize surgical complexity, as well as to improve overall surgical outcomes and patient satisfaction, these applications can be used as stand-alone tools or together, and are intended to deliver a personalized approach to THA, optimizing the surgical experience.

A streamlined protocol assists the surgeon when executing a 3D anatomical assessment of the anatomy and planning for the optimal implant and functional position within the hip joint. This helps anticipate potential intraoperative complications, such as femoral fracture and leg length inequality, or detect potential risks of implant failures, such as impingement, reduced range of motion (ROM) and overall joint instability. MyHip Planner eases and empowers the critical decision-making process in defining the optimal surgical strategy for each patient.

MyHip Verifier is an easy-to-use, non-invasive surgical platform that uses intraoperative fluoroscopic images to assist the surgeon in verifying patient-matched implant positioning. Engineered to seamlessly integrate into the surgeons' existing workflow and preserving operating room efficiency, MyHip Verifier empowers intraoperative fluoroscopy by providing a real-time numerical evaluation of the actual influence of implant positioning on the patient's anatomy.

MyHip® PLANNER

PLAN THE PATH TO SUCCESS®

3D preoperative planning
software for THR

MyHip® VERIFIER

VERIFY YOUR ACCURACY

Intraoperative verification
software for THR

AMIS is complemented by a unique package of supporting products, including dedicated implants, specially designed instruments and the AMIS Mobile Leg Positioner (a patented surgical table extension which allows for a simple and reproducible procedure), as well as a specifically-trained sales force.

Our AMIS offering has been further enhanced over years with new packages that allow surgeons to take the anterior approach to the next level, such as the comprehensive AMIS Bikini offer. 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. 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 primary total hip replacement surgical method for surgeons worldwide.

Our education opportunities are designed to master the AMIS approach from the simplest primary hip arthroplasties to the most complex cases, such as no capsular release, bikini incision and revision THA.

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 an 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.

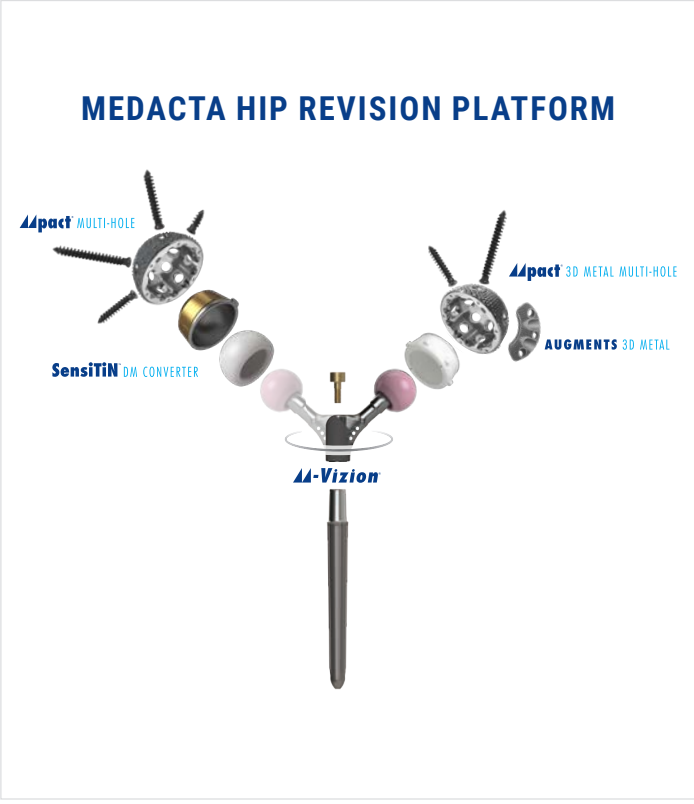
[12] Menzies-Wilson, Richard & Mahalingham, Karuppiah & I, Tamimi & Field, Richard. (2019) "Retrospective cohort study comparing the functional outcomes of direct anterior approach hip arthroplasty. Oblique "bikini"vs longitudinal skin incision ".
[13] Menzies-Wilson, Richard & Mahalingham, Karuppiah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

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 needs and can be used in primary and revision hip replacements. Mpact Two-Hole and Mpact Multi-Hole are also available with 3D Metal, an advanced structure, manufactured utilizing our in-house technology based on state-of-the-art metal 3D printing, designed to mimic the bone structure and improve the long-term stability of our implants. A recent enhancement to the Mpact System for primary and complex hip revision procedures, the Iliac Screw Mpact 3D Metal, is a cementless acetabular ultra-porous titanium shell with a modular polyaxial iliac screw. It provides surgeons with a comprehensive and versatile range of options to address a variety of complex hip cases, from difficult revisions to severe dysplasia.

We also offer a comprehensive cemented portfolio with femoral and acetabular solutions that allow surgeons to address the unique needs of patients with a synergistic AMIS friendly design.

Besides the Iliac Screw Mpact 3D Metal, in 2021 we announced the first surgeries utilizing AMIS-K Long, a Charnley-Kerboull long cemented stem, and 3D Metal B-Cage, a cutting-edge, anatomical reinforcement cage to bridge acetabular bone loss or fractures, after each of the items received CE marking. These new products, alongside the M-Vizion Modular Femoral Revision Stem, further broaden the Medacta Hip Revision Platform.

The M-Vizion Femoral Modular Revision System, the core of the Medacta Hip Revision Platform, allows surgeons to feel more confident in the OR when undertaking femoral revision cases. Introduced to the market in 2017 on a restricted basis and expanded in late 2020, with a broader range of options, the M-Vizion was developed with the support of surgeon experts in the global orthopaedic community. Known for delivering maximum stability and versatility, and for providing a simplified and streamlined procedure, in 2021 the M-Vizion has been fully released into the market with positive preliminary results. The Medacta Hip Revision Implant Portfolio, uniquely compatible with the AMIS technique, is supported and complemented by a complete range of dedicated instruments to facilitate the removal of failed implants and cement.



The tailored educational offering on revision hip replacement is expanding in parallel with the product portfolio. With an international network of expert surgeons, the M.O.R.E. Institute is at the forefront of education on revision techniques and products with personalized high-level educational pathways supporting surgeons with focused activities as they master revision.

KNEE

Together with the MySolutions Personalized Ecosystem, we have developed a complete range of implants, instruments and techniques for knee replacement. We believe that our offerings in the Knee business line provide surgeons with an innovative, effective approach to partial, total, and revision knee replacement. The Knee business line is also a perfect example of our commitment to providing personalized solutions.

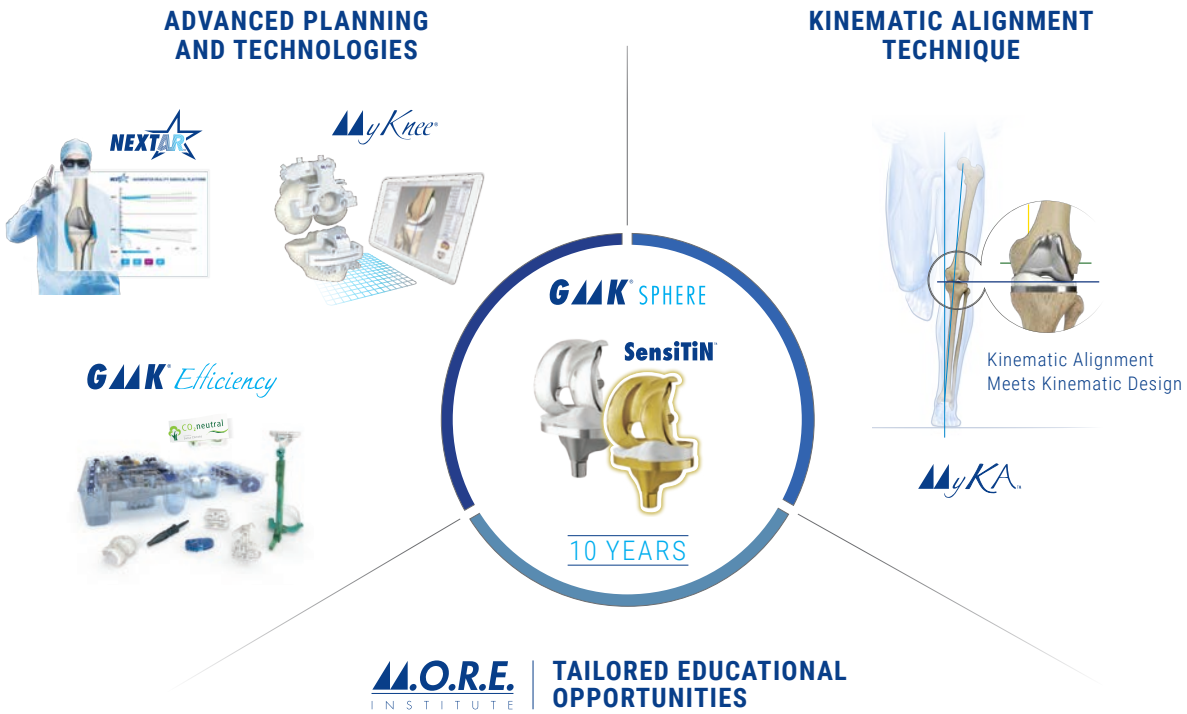
Personalized solutions and tailored education program for TKA

GMK Sphere, the core of our knee portfolio, is a Medially Stabilized Knee 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. GMK Sphere has shown the potential to improve functional and patient-reported outcomes also when combined with MyKA Platform (Kinematic Alignment Platform), a personalized technique with the goal of restoring knee function and improving patient satisfaction by tailoring the position of the implant to each individual patient. The evidence and the interest of the market for this technique are constantly growing and Medacta is leading the way in collaboration with the biggest experts worldwide.

The orthopaedic community has welcomed this innovative implant, and surgeons have chosen it for more than 100'000 patients throughout the world. GMK Sphere is backed by a strong educational network of over 100 international experts, and 10 years of successful clinical experience. To provide surgeons with the possibility of tailoring the implant choice to the patient's needs, we have developed advanced material options: MectaGrip, a plasma-sprayed titanium coating to achieve primary stability and secondary fixation[16] in cementless applications, and SensiTiN, a ceramic-like coating to offer a hypoallergenic solution. With the ever-increasing incidence of metal hypersensitivity cases, we expect the usage of the SensiTiN option to grow in the coming years.

Additionally, we developed enabling technologies part of our MySolutions Personalized Ecosystem platform, such as MyKnee 3D printed patient-matched guides and NextAR Augmented Reality Surgical Platform, to improve accuracy and precision, while preserving healthcare sustainability. Both MyKnee and NextAR offer a powerful synergy with GMK Efficiency single-use instruments set. The GMK Efficiency system requires no additional preoperative sterilization and instrument management, optimizing logistics for the surgeon and the hospital, making it the perfect solution for both large hospitals and ambulatory surgical centers.

The GMK Efficiency system is also available as part of our Efficiency KneePack, a kit including all the components needed to implant the GMK Sphere using a patient-specific single-use instrument set and is delivered sterile in a single, lightweight box allowing to save time in the OR and simplify the OR scheduling. This solution has been particularly suitable in light of the COVID-19 pandemic and will continue to offer an efficient and effective solution in the coming years.



16. Data on file: Medacta

NEXTAR KNEE

The first FDA-cleared Augmented Reality Surgical Platform for total knee replacement, NextAR Knee, has been CE-marked in 2021.

NextAR Knee makes preoperative 3D planning efficient and precise, offering smart delivery tools for accurate and personalized surgery. Augmented Reality adds intelligence to the surgery, and visualizing the surgical guidance superimposed onto the operative field allows surgeons to stay focused on what matters: the patient.

NextAR Knee allows direct tracking of the collateral ligaments and a 3D analysis of soft tissue behavior throughout the whole range of motion during surgery, bringing patient-specific ligament balancing to the next level.

With limited upfront capital investment required by clinics and hospitals, as well as economic benefits to the healthcare system through OR efficiency, this platform will be an optimal solution particularly for U.S. ambulatory surgery centers (ASCs).

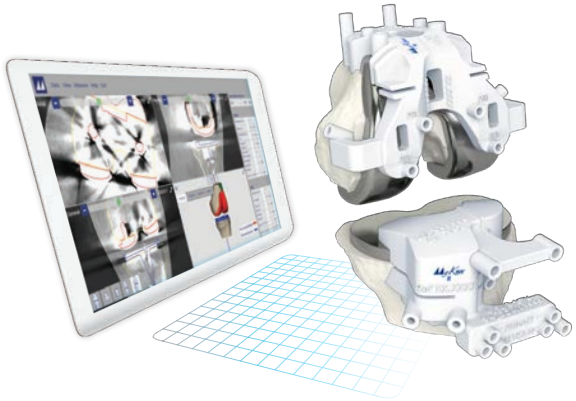
NEXTAR™

AUGMENTED REALITY SURGICAL PLATFORM

In 2021, we extended the personalized medicine concept to total knee revision surgeries unveiling the unique and innovative MyKnee R patient-matched 3D printed solution, the newest addition to our MySolutions Personalized Ecosystem, a game-changing technology to streamline total knee revision surgeries. Starting from a CT scan, MySolutions engineers create a 3D reconstruction of the patient's joint where a failed primary implant has been positioned. This reconstruction is then used to accurately plan the positioning of a new prosthesis, ranging from a minimum level of constraint to semi-constrained and fully constrained solutions. The plan can be easily replicated intra-op by means of the patient-matched MyKnee R guides.

MyKnee® R

The Game-Changer
in Revision TKA

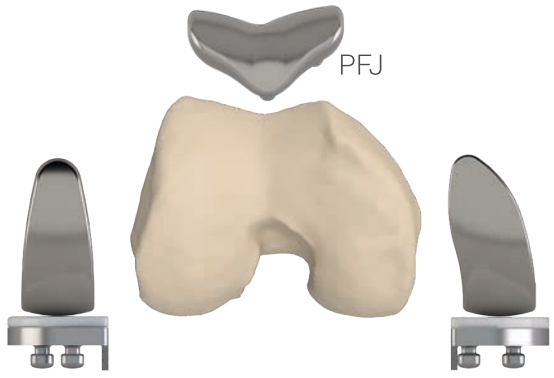


For total knee arthroplasty we offer GMK Sphere and GMK Primary which are part of the comprehensive GMK System ranging from GMK UNI for unicompartmental procedures to GMK Hinge for revision surgery. In particular, the system allows for a very easy transition from GMK Sphere and GMK Primary to a semi-constrained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

For partial knee replacement (i.e., a surgery that replaces only one part of a damaged knee), 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. MOTO PFJ has been CE marked and FDA cleared and will complete our partial knee portfolio in 2022, allowing for the treatment of osteoarthritis localized in the patello-femoral compartment of the knee.

Moto®
PARTIAL KNEE SYSTEM

Moving forward
in partial knee



In 2021, our partial knee portfolio was further enriched with our SensiTiN coating for low metal ion release, which had already been introduced for the primary and revision implants. With the SensiTiN-coated partial knee implants, the Medacta Knee System is now even more complete, allowing for treatment of a larger number of patients.

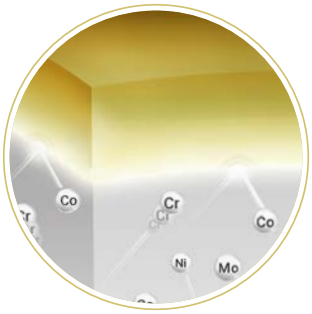
SensiTiN™

ENHANCED COATING TO REDUCE METAL ION RELEASE

PARTIAL

Moto

GMK UNI



TOTAL

GMK SPHERE

GMK PRIMARY

REVISION

GMK REVISION

GMK HINGE

Regarding material technology, we have also recently received CE mark and FDA clearance for GMK Sphere tibial inserts in E-CROSS, a highly crosslinked UHMWPE (ultra-high molecular weight polyethylene) blended with Vitamin E, a powerful antioxidant that improves oxidation resistance. Faithful to our goal of innovating responsibly, we have added this material to our knee portfolio, leveraging the good clinical outcomes observed over many years. This new generation material further improves the already excellent performance in terms of wear resistance of the GMK Sphere inserts without compromising the mechanical properties. It will be added also to our MOTO Partial Knee System in the upcoming months.

Finally, our knee revision offering consists of GMK Revision and 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 massive bone defects. We have recently further expanded our knee revision portfolio with 3D Metal Femoral Cones. 3D Metal is an advanced structure, manufactured utilizing 3D printing technology, designed to mimic the bone structure and improve the long-term stability of our implants. Developed upon the clinical success of 3D Metal Tibial Cones, the Femoral Cones can be used for structural support in areas of bone deficiencies that may compromise implant fixation.

Our knee offering is supported by Medacta's M.O.R.E. Institute, which offers surgeons targeted help through a strong education network as they seek to incorporate new technologies.

SHOULDER

In 2016, we decided to enter the shoulder market, leveraging the know-how we gained from the Hip and Knee business lines to develop new products and techniques in the Shoulder business line.

Since the first successful surgery in December 2016, performed by Ralph Hertel, MD, in Bern (CH), we have recently announced the milestone of 10'000 Medacta Shoulder System devices implanted worldwide. This promising achievement has been reached in less than 5 years, including the responsible introduction of our innovative system ahead of its full market release, according to the plan of action of the M.O.R.E. Excellence Clinical Program.

Tailored platform for individual patient needs and personalized educational opportunities

The Medacta Shoulder System, designed with the support of a group of international expert surgeons, is a modular solution that features a broad range of options, wide-ranging sizes, adjustable offsets, and innovative designs, both in the anatomic and reverse configuration. This modularity allows for 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 offering is always in expansion, and it has recently been enriched by a series of new options: stemless metaphysis, long humeral diaphysis and SensiTiN enhanced coating. With the introduction of the new options, the Medacta Shoulder System now offers a complete solution to manage many diverse patient anatomies and pathologies with respect to the humeral side: stemless metaphysis, short stem, standard stem, long stem.

Medacta's innovation is reflected on the Medacta Shoulder System's design. Proximal fixation in the standard and short stems is achieved by means of Medacta's proprietary MectaGrip technology, a plasma-sprayed titanium coating which enhances initial stability due to its high coefficient of friction and potential long-term fixation, in conjunction with hydroxyapatite.

The Medacta Shoulder System, besides being FDA cleared, CE marked and approved by MHLW for use in Japan, is now available worldwide through a large network of distributors.

In order to facilitate an accurate positioning of the implants, Medacta has created MyShoulder, a system providing complete 3D preoperative planning and 3D printed patient-matched guides, developed on the basis of the success of the Medacta Patient-Matched Technology, which is part of the MySolutions Personalized Ecosystem.

MyShoulder technology is FDA-cleared, CE-marked and approved by MHLW for use in Japan.

NEXTAR SHOULDER

In 2021, we announced the introduction into the market of NextAR Shoulder, the first CE-marked and FDA-cleared Augmented Reality surgical application with intraoperative guidance for total shoulder replacement.

Prior to surgery, the surgeon uses a 3D virtual model of the patient's shoulder to choose the best implant and position to restore the patient's unique anatomy. NextAR Shoulder enhances the preoperative implant-bone preparation with unique intraoperative orientation assessments, allowing surgeons to track real-time positioning.

During the operation, the surgeon uses the NextAR Smart Glasses to visualize surgical guidance in real-time directly on the operative field, enabling them to remain focused on the patient for an optimal user experience. With this process, the NextAR Shoulder platform allows for exceptional precision and control, ultimately translating to enhanced efficiency in the operating room.

NextAR Shoulder is designed to improve efficiency and precision in total shoulder replacement, while supporting the advancement of personalized surgery with limited upfront capital investment required by clinics and hospitals, as well as economic benefits to the healthcare system through OR efficiency.

NEXTAR™

AUGMENTED REALITY SURGICAL PLATFORM

4.3 SPINE PRODUCTS AND TECHNOLOGIES

Our development of products for the fast-moving spine market started in 2009, when our engineers collaborated with a team of expert international surgeons to develop a complete and flexible portfolio of spine products that includes implants and ancillary instruments. Our spine systems are designed to embrace minimally invasive techniques and open surgeries in order to treat degenerative spine diseases, deformities, trauma, and tumors. Our current range of spine products, implants and instruments complement one another, creating comprehensive platforms for most spine stabilization and fusion applications. Within our spine offering, we have leveraged our expertise both in minimally invasive techniques and in patient-matched technologies to offer optimum results to patients. Most of our spine products are FDA-cleared and CE-marked, and are also approved for use in Japan and Australia.

Since inception we have been providing spine implants which are 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. These aspects are extremely important especially during COVID-19 time recovery.

Building on our proprietary MySolutions Personalized Ecosystem technology, we have developed MySpine to offer surgeons a patient-matched 3D printed screw placement guide, resulting in accurate positioning of the screws, reduced X-ray dosage and reduced time and costs.

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 patients' well-being.

In deformity surgeries, MySpine is intended for long construct fixation and designed to treat challenging spine anatomies like scoliosis and congenital malalignment; MySpine S2AI is the most recent addition to the MySpine platform and has been developed to complete the treatment of challenging spine anatomies and reinforce the fixation for long constructs, overcoming the limits of a potentially insufficient lower spine fixation. MySpine Cervical fills and complements the MySpine platform, introducing a solution for accurate cervical screw placement that allows for extended constructs relying on strong bone fixation for cervico-thoracic segments.

To complement the Medacta Spine portfolio, in 2021 we developed NextAR Spine, an innovative application for accurate screw positioning in spine surgery, as part of our Augmented Reality Surgical Platform.

Versatile spine portfolio and tailored educational opportunities

CERVICAL


M.U.S.T. Mini


Mecta-C Stand Alone


Mecta-C System

DEFORMITY


M.U.S.T.


MySpine


MySpine S2AI

MIS SOLUTIONS


MectaLIF Anterior

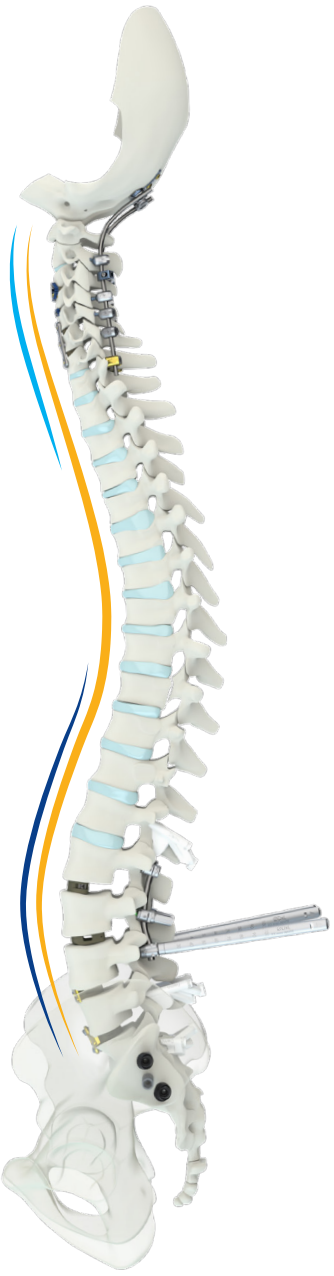

MectaLIF System


M.U.S.T. SI


M.U.S.T. MC


M.U.S.T. LT


MySpine MC



NEXTAR SPINE

NextAR Spine assists the surgeon in precisely locating the anatomical structures in either open, mini-open or percutaneous spine procedures for the safe placement of spine implants.

During the surgery, the system tracks the patient's anatomy, continuously updating its position on patient-specific 3D x-ray images. The surgeon, empowered by the NextAR Smart glasses, can visualize the parameters that accurately help position the implants, by selecting among real-time (3D Direct) and preoperative planning (3D-3D) approaches.

NextAR Spine has the goal of improving efficiency and precision in spine surgery, delivering personalized planning with limited upfront capital investment required by clinics and hospitals, as well as economic benefits to the healthcare system through OR efficiency.

NEXTAR™

AUGMENTED REALITY SURGICAL PLATFORM

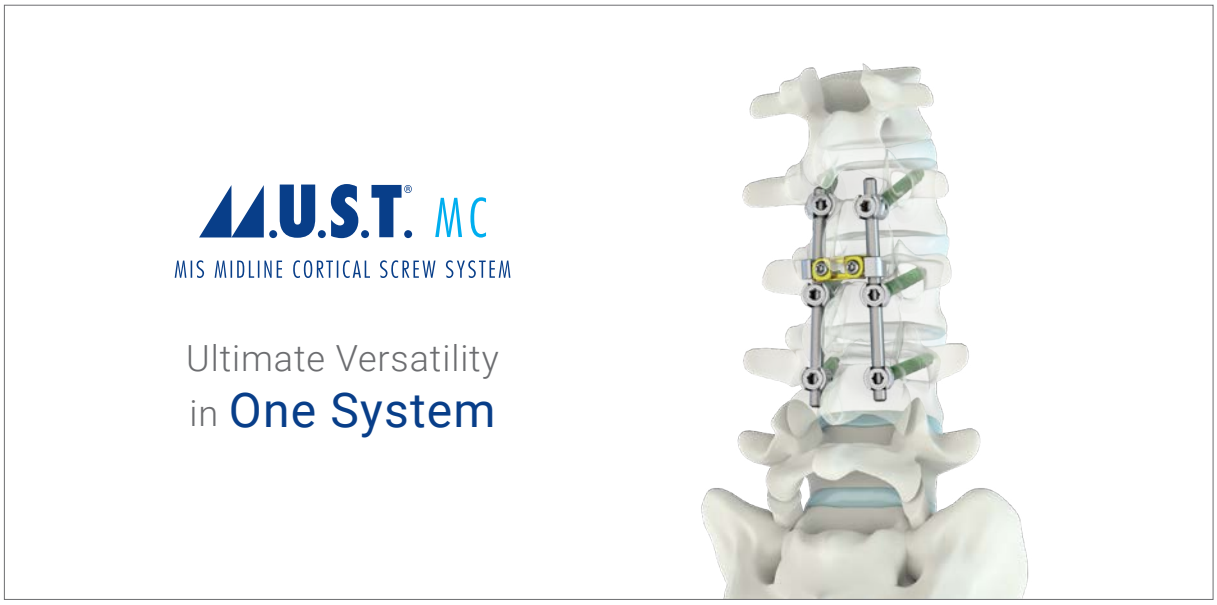
REAL-TIME INTRAOPERATIVE FEEDBACK
WITHIN THE SURGEON'S LINE OF SIGHT

In 2021, we further demonstrated our commitment to innovation and personalized solutions by expanding our cervical and MIS solutions.

The 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.

The MIS platform is based on two minimally invasive approaches: midline (M.U.S.T. MC) and percutaneous (M.U.S.T. LT).

M.U.S.T. MC (Midline Cortical) is a complete and flexible system which stabilizes and facilitates fusion of the thoraco-lumbar spine and the sacrum, featuring MySpine MC, a dedicated retractor and distractor systems 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 worldwide, which differentiate bone purchase, enhancing the posterior fixation.

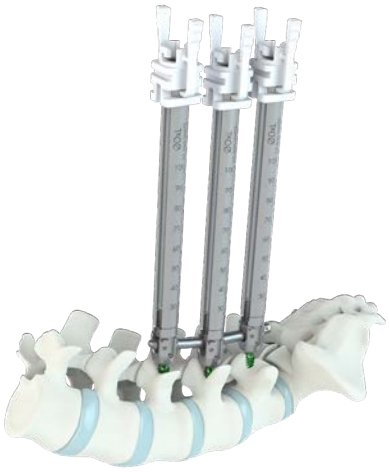


M.U.S.T. LT (Long Tab Screw System) is a minimally invasive solution for posterior spine fixation in the percutaneous approach. This versatile solution gives the surgeons freedom of choice between fast locking screws, applicable in an extensive range of degenerative cases, and an extended reduction capacity, 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.

M.U.S.T. LT

MIS LONG TAB SCREW TECHNOLOGY

MIS versatile Solution for
Percutaneous Fixation



In order to provide complete solutions in spine surgical treatments, we also offer MyBalance, the newly added solution in our advanced planning platform, specifically designed to assist the surgeon through all the steps of an accurate surgery planning and evaluation of the patient's sagittal balance, to provide personalized treatment.

MyBalance

SAGITTAL BALANCE PLATFORM

Advanced
Personalized Planning

4.4 SPORTSMED PRODUCTS AND TECHNOLOGIES

Our Sportsmed business line, started in 2016, aims to provide minimally invasive procedures in order to allow patients to quickly return to their daily activities. Our engineers collaborate with an international team of expert surgeons to create specific and innovative products for the treatment of ligament, tendon and muscular injuries of the knee, hip and shoulder.

In 2021, we obtained multiple worldwide registrations and further expanded our indications in arthroscopic knee, shoulder, and hip surgery.

A full line of innovative new products for knee, shoulder and hip treatments

KNEE PORTFOLIO

The Medacta Anatomic Ribbon Surgery (M-ARS), launched in 2017, is an innovative surgical technique to reconstruct the anterior cruciate ligament (ACL), designed to distribute forces in a more natural, anatomical way, and supported by specific instruments and dedicated extra-articular implants. In order to facilitate ACL reconstructive surgery, we are now able to offer an extensive portfolio of extra-articular (FairFix Adjustable Button) and close to the joint-line fixation options (MectaScrew Interference Screw Family).

We not only offer a standard instrument portfolio, but also innovative solutions for Quadriceps Tendon harvesting procedures (MectaQTH) and innovative coated guide pin designs which will potentially reduce metal flaking and metal debris. We also provide single-use sterile kits for standard ACL reconstruction procedures, as well as for the specific M-ARS Anatomic Ribbon repair.

SHOULDER PORTFOLIO

In our suture anchor portfolio, we are heavily expanding our material, sizing and indication offerings. With the MectaLock Suture Anchor Family, we can now provide a non-absorbable PEEK and a new composite material option. Different anchor sizes are available, from knotted anchor designs for arthroscopic shoulder labral repair to knotless options for shoulder lateral row cuff repair. For surgeons who prefer soft anchor designs or are looking for solutions for the medial row repair, we offer two different knotted All-Suture Anchor designs with MectaLock All-Suture and SnugFit All-Suture. 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.

With the newly launched PowerSuture Family, we are now able to provide an extensive suture portfolio. With PowerKnot High Strength Suture, we are entering a limited market release phase with a 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. In addition to PowerKnot, we launched the Medacta PowerSuture line, offering a full line of different suture and tape diameters, as well as multiple Whip Stitch Loop suture and Tapes, Passing Loops and double-armed suture options.

HIP PORTFOLIO

We have recently extended our product line to include hip arthroscopic procedures as well. Alongside many anchors (MectaLock Suture Anchor Family) and suture management (FastShuttle Suture Passer Family) shared with the shoulder product line, we launched MectaFlip, the unique-on-the-market intra articular minimal invasive expander.

In 2022, many new products are expected to get product registration or to be ready for limited market release.

MEDACTA ANNOUNCES LIMITED MARKET RELEASE FOR MULTIPLE PRODUCTS FOR ITS SPORTS MEDICINE DIVISION

In 2021, Medacta started the limited market release for several new products.

With the launch of SnugFit All-Suture Anchor, we are able to offer already a second generation soft anchor design, currently indicated for Shoulder Rotator Cuff Repair. The feedback makes us very positive. Medacta Sports Medicine will continue its early evaluation of the SnugFit All-Suture Anchor, with an anticipated commercial release of the entire SnugFit portfolio in Q2 2022 including additional indications for Shoulder and Hip instability repair.

We have also seen some important product additions in our arthroscopic knee segment. With FairFix Adjustable Button, we launched an attractive one-size-fits-all extracortical fixation system indicated for knee ligament refixation. This is only the beginning of our FairFix Family Button portfolio. In the upcoming years, we are planning to add multiple button options. Our already existing MectaScrew Interference Screw Family has seen some material additions in 2021, and now Medacta is able to offer a full bag of interference screws for multiple indications in ACL ligament reconstruction.

We are also about to start the limited market release for several new diameter and material options for our MectaLock Family of Anchors. We are therefore able to propose a new anchor option for the lateral row rotator cuff repair.

With the limited market release, together with more products moving into full market release and many products already in our pipeline, you will see a rapid expansion of our Sportsmed division.

M.O.R.E.
INSTITUTE

The surgeon is never alone
when discovering new technologies

Medacta International

CORPORATE GOVERNANCE REPORT

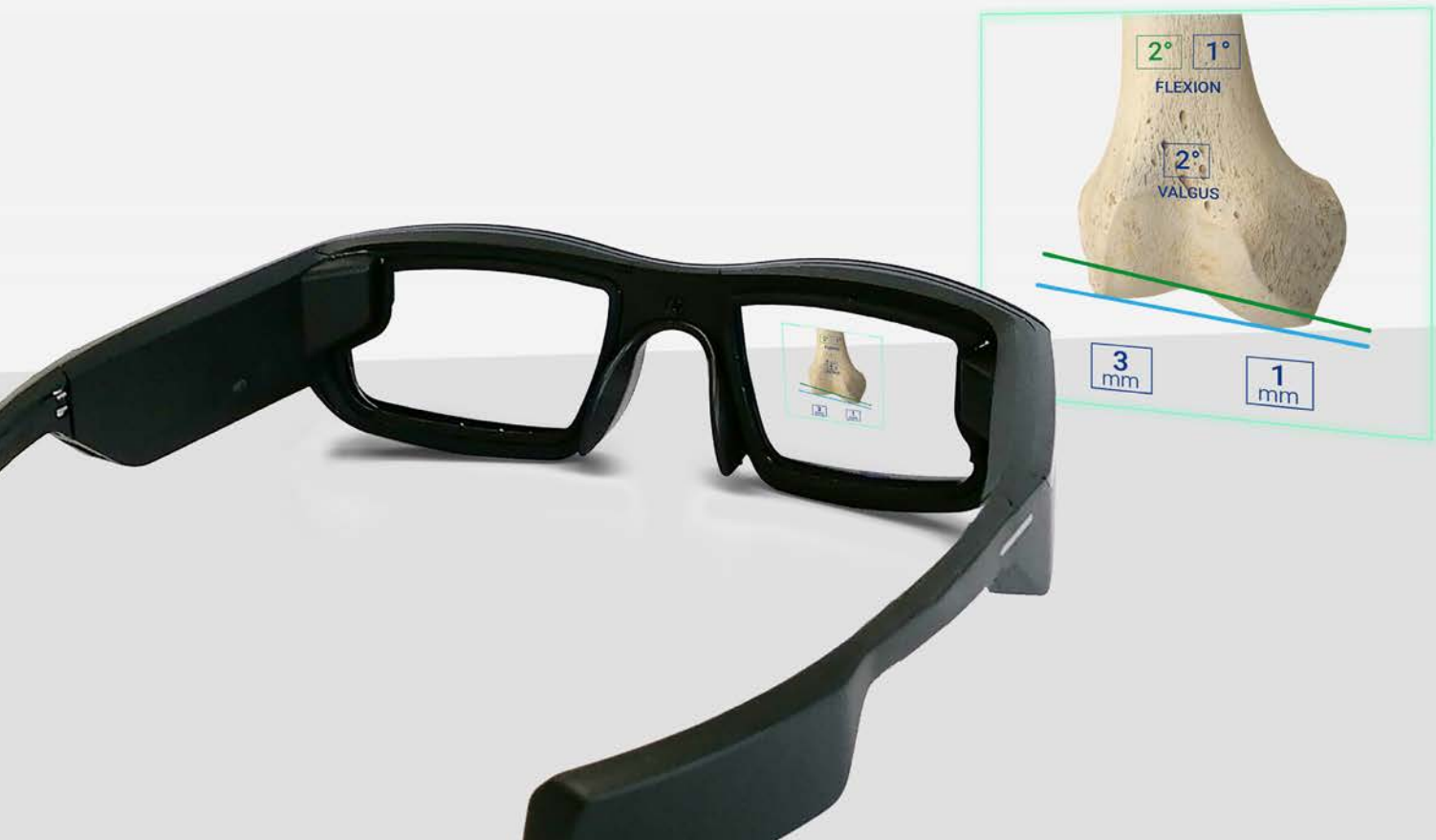
INDEX

AUGMENTED REALITY SURGICAL PLATFORM

An innovative solution that features advanced planning tools, revolutionary tracking system, and augmented reality to potentially improve surgery accuracy and efficiency, with low upfront capital investment and cost per case compared to other technologies.

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, with the goal of improving the quality of surgery.



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 and rules are set out in the Articles of Association[1], the Organizational Regulations[2], the Corporate Compliance System including the Medacta's Group 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 the SIX Exchange Regulation.

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, 2021 was CHF 2.8 billion.

Our headquarters and production facilities are located in Castel San Pietro, Switzerland and Rancate, Switzerland, where we have approximately 713 employees in the aggregate. The Group Executive Management is based at our headquarters in Castel San Pietro, Switzerland 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, Ing. Francesco Siccardi. Our CEO is supported by the other members of our Group Executive Management, specifically the CFO and the Supply Chain Director.

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 Supply Chain Director. The Vice President Joint and General Manager is responsible for the regional Directors who oversee and manage our 12 international branches. Our international branches are responsible for overseeing our salesforce, which consists of direct sales representatives and marketing employees, independent agents, and distributors in 33 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, 2021, 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://cms.medacta.com/uploads/media/medacta-group-sa-articles-of-association-of-11032019.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.ethicalmedtech.eu/wp-content/uploads/2021/02/MedTech-Europe-Code-of-Ethical-Business-Practice-QA-DG.pdf

[5] Directive on Information relating to Corporate Governance of SIX Exchange Regulation is available at: https://www.ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf

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, 2021. 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, 2021 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	-	13'861'528	69.31%
• Maria Luisa Siccardi Tonolli [3]	Villa Luganese	Switzerland	-		
• Francesco Siccardi [3]	Morcote	Switzerland	-		
• Alessandro Siccardi [3]	Lugano	Switzerland	-		
• Artisan Partners Limited Partnership [4]	Milwaukee, WI	USA	-	989'901	4.95%
• MainFirst SICAV	Senningerberg	Luxembourg	-	603'875	3.02%

[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 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 10.1% of shares and voting rights, Maria Luisa Siccardi Tonolli, Francesco Siccardi and Alessandro Siccardi own 19.7% of shares and voting rights each. In October 2021, Dr. Alberto Siccardi and Francesco Siccardi sold respectively 14'935 and 15'662 share units, see also section 6 "Ownership of shares and options".
[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 December 16, 2021, processed by SIX on December 22, 2021.

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, 2021, 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 AUTHORIZED AND CONDITIONAL CAPITAL

Medacta Group SA has no authorized share capital and 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, and 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.

2.3 CHANGES IN CAPITAL

There have been no changes in the share capital in the past three years. On December 31, 2019, 2020 and 2021, the share capital was composed of 20'000'000 registered shares with a nominal value of CHF 0.10 each. In 2018 Medacta Group SA acquired, by way of contribution in kind, 4'016 registered shares of Medacta Holding SA at their nominal value of CHF 25.64 each, at a total nominal value of CHF 102'970.24, accepted by the Company for CHF 102'970.24 (contribution in kind agreement of December 12, 2018) together with CHF 97'029.76 in cash, both made by Alberto Siccardi and fully accounted to the share capital, against issuance of 2'000'000 registered shares at a nominal value of CHF 0.10 each, for a total nominal value of CHF 200'000.

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, 2021 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

Medacta Group SA in 2021 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 its address must inform the Company accordingly.

According to article 5 para. 3 of the Articles of Association, persons not expressly declaring themselves to be holding the shares for their own account 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 discretionarily decide to grant some exceptions to the above restrictions. In 2021, 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 ShareCommService AG, Europastrasse 29, 8152 Glattbrugg, Switzerland.

2.7 CONVERTIBLE BONDS AND OPTIONS

As of December 31, 2021, 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, 2021, 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 [3]	1957	Member; Lead Independent Director	ARC (Chairman)	2019
Philippe Weber [4]	1965	Independent Director	RemCo (Chairman)	2019
Riccardo Braglia [5]	1960	Independent Director	RemCo	2020

RemCo = Remuneration Committee
ARC = Audit and Risk Committee
[1] Founder and Chairman of the Board of Directors of Medacta International since 1999. Alberto Siccardi in 2020 was also Member of the RemCo until December 18, 2020.
[2] Member of the Board of Directors of Medacta International from 2003 until 2014.
[3] In 2020 Victor Balli was also member of the RemCo until December 18, 2020.
[4] In 2020 Philippe Weber was also member of the ARC until December 18, 2020.
[5] On December 18, 2020, the Extraordinary General Meeting appointed Riccardo Braglia as member of the Board of Directors and Member of the RemCo.

ALBERTO SICCARDI,

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

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.

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, Mr. 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 as CEO and then subsequently sold the business to Baxter Group in 1997.

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).

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 orthopaedic products.

MARIA LUISA SICCARDI TONOLLI,

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

Other main activities: Ms. Siccardi Tonolli has served as the Head of the Siccardi Family Office since 2002. Ms. 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.

Career Highlights: Ms. 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, Ms. Siccardi Tonolli was re-elected as Member of the Board of Directors of Medacta International SA, and then elected to the Board of the Company upon its incorporation in 2018. Ms. Siccardi Tonolli has served in various finance, controlling and treasury roles at the Group, including 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. Since the IPO, Ms. Siccardi Tonolli has exclusively served as a Member of the Board of Directors. Ms. Siccardi Tonolli is also a real estate expert. She served as a Member of the Board of Verve SA for approximately 18 years, an international real estate company domiciled in Switzerland.

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

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

VICTOR BALLI,

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

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 Holdings B.V., Netherlands; since 2019, Member of the Board of Directors of Hemro AG, Bachenbülach; Member of the Board of Directors and of the Audit Committee of SIKA AG, Baar since 2019.

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.

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.

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

Other main activities: Chairman of the Board of Directors and Managing Partner of Niederer Kraft Frey AG, Zurich since 2015 (until March 2021, thereafter Board Member); 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).

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.

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.

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, Independent Director

Other main activities: Group Vice-Chairman and Board Member of 3B Future Holding SA (formerly Helsinn Holding Group) and Board Member of HAS Healthcare Advanced Synthesis in Switzerland since 2007, holds various roles in other companies in the healthcare sector in Switzerland and abroad. He has been appointed Helsinn Group's Executive Chairman since December 2021. Since 2014, he is Co-founder and Board Member of Lyfebulb, USA, which promotes networking initiatives to support patients with chronic diseases and since 2011, Board Member of Thorne Holding Corporation, USA. 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 since 2019, 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.

Career Highlights: With a wealth of over 36 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.

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

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 fourteen 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	✔	✔	✔	✔	✔
Emerging Markets					✔
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		DE	Board Member
	Swiss Federal Audit Oversight Authority in Bern		CH	Board Member
	Louis Dreyfus Company 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		CH	Board Member
	Helsinn SA & Affiliates		CH	Executive Chairman
	Thorne Holding Corporation		USA	Board Member
	WS Fashion Group		CH	Board Member
	Lyfebulb Headquarters		USA	Board Member
	GSTS - Gui Sheng Tang Sinomedica Holding SA		CH	Board Member
	Lauro & Giavatto SA		CH	President
		Swiss American Chamber of Commerce	CH	Board Member
	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

* Chairman until March 2021.

3.3 PERMITTED ADDITIONAL ACTIVITIES PURSUANT TO OAEC

As required by the Swiss Ordinance against Excessive Compensation in Listed Companies ("OaEC") 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 have the following other functions in the superior management or administrative bodies of legal units obliged to register themselves in a Swiss Commercial Register or a foreign equivalent thereof and 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 five (respectively, the Chairman of the Board of Directors up to four) 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; and, in addition,
- 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; and, in addition,
- 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; and, in addition,
- 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 2022, 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 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: an Audit and Risk Committee and a Remuneration Committee (each, a "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 2021 in March 2022.

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 "Remuneration Committee".

BOARD OF DIRECTORS MEETINGS 2021

In 2021, the Board of Directors met seven times, through a video conference, for an average duration of two hours. The CEO along with the other members of the Group Executive Management attended each of the seven Board meetings in 2021.

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

Date	Attendees	Other Attendees
20.01.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
30.03.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
24.05.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
12.07.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management Gianna La Rana (IR)
19.07.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
09.09.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
15.12.2021	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management. Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)

The key topics of the Board of Directors in 2021 included, among other things:

- 2020 full year unaudited top-line figures;
- press release and investors presentation;
- financial calendar 2021 and 2022;
- performance review 2020 and outlook 2021;
- changes in any significant shareholders;
- approval of Annual Report and Consolidated Financial Statements 2020 and proposal to AGM for approval;
- approval of the Statutory Financial Statements 2020 and proposal to AGM for approval;
- approval of proposal to AGM for appropriation of available retained earnings as of December 31, 2020;
- approval of the Group three-years business plan (basis for LTIP);
- approval of the Group Long-Term Incentive Plan (LTIP);
- approval of proposal to AGM for discharge to the Board of Directors and discharge to the Group Executive Management;
- approval of Annual General Meeting (AGM) voting procedures;
- approval of proposal to AGM for re-election of the Members of the Board of Directors and the President of the Board;
- approval of proposal to AGM for re-election of the members of the Remuneration Committee;
- approval of proposal to AGM for re-election of the Independent Proxy Holder for the financial year 2021;

- approval of proposal to AGM for re-election of the Auditors;
- approval of the Remuneration Report 2020 and proposal to AGM for consultative vote;
- approval of proposal to AGM for remunerations to the Members of the Board of Directors;
- approval of proposal to AGM for the maximum aggregate amounts of remuneration for the Members of Board of Directors for the period AGM My 2021 to the AGM 2022;
- approval of proposal to AGM for the maximum aggregate amounts of remuneration for the Members of the Group Executive Management;
- approval of press release and investors presentation for the H1 2021 financial results;
- approval of Individual targets and weighting of variable short-term bonus for the Group Executive Management;
- review of self-assessment of Board of Directors;
- review of the quarterly results;
- review of peers performance;
- approval of AGM press release;
- approval of Sustainability Report 2020;
- approval of settlement agreement of MicroPort claim and related press release;
- performance review of the H1 2021 financial results;
- review of the year-to-date results (sales) and revised 2021 forecast;
- analysis of composition of shareholders (institutional/individual investors);
- disclosure policy procedure (ad-hoc disclosures);
- presentation of complete organization chart of Group;
- approval of the change to the Organizational Regulations with regards to Corporate Sustainability (Environment, Social and Governance, ESG);
- investor relations activity plan 2022;
- industrial long-term plan;
- approval of Group Code of Business Conduct and Ethics;
- budget 2022;
- three-years business plan.

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 on a regular basis 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 fulfill 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 Secretary 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 fulfillment 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 in video conference meetings for an average duration of two hours in 2021. The key topics included, among other things:

- review and approval of the Consolidated and Statutory Financial Statements for the year 2020 and related Annual Report;
- review of the report of the external auditor (Deloitte AG) including management letter for the year 2020;
- proposal for the appropriation of earnings and dividend payout for 2020;
- assessment of the independence and performance of the external auditors;
- year-to-date performance 2021;
- disclosure of year-end 2020 results and related press release;
- update on material legal proceedings/ relevant compliance matters;
- review of self-assessment of Audit Committee;
- short financial and liquidity update and full year outlook;
- update on financing of the US;
- various subjects to be addressed by the Auditors, such as management letter, non-audit fees, etc.;
- review of the Risk control matrix and internal control framework and future procedures for the year 2021;
- risk management: Cyber Security and Transfer Price study Tax-annual update; IT security roadmap update; pension update;
- review of H1 results;
- review of the draft of Remuneration Report 2021;
- review of Organization Chart;
- update and review of Succession Plan for Key People and proposal to the Board;
- update and review of Long-term Incentive Plan.

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

Date	Attendees	Other Attendees
29.03.2021	Audit and Risk Committee (All) Daniel Müller (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Riccardo Braglia (Member of the Board) Philippe Weber (Board Member) Francesco Siccardi (CEO) Corrado Farsetta (CFO) Deloitte AG - Fabien Lussu; Michele Castiglioni Luigi Tonolli (Senior Strategic Financial Advisor)
24.05.2021	Audit and Risk Committee (All) Daniel Müller (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Riccardo Braglia (Member of the Board) Francesco Siccardi (CEO) Alessandro Siccardi (Supply Chain Director) Corrado Farsetta (CFO) Luigi Tonolli (Senior Strategic Financial Advisor) Filippo Cappelli, Head of IT
08.09.2021	Audit and Risk Committee (All) Daniel Müller (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Group Executive Management (All) Deloitte AG- Fabien Lussu; Michele Castiglioni
15.12.2021	Audit and Risk Committee (All) Daniel Müller (Deputy Secretary)	Alberto Siccardi (Chairman of the Board) Group Executive Management (All) Deloitte SA - Fabien Lussu; Michele Castiglioni Riccardo Braglia (Member of the Board) Luigi Tonolli (Senior Strategic Financial Advisor)

REMUNERATION COMMITTEE

The function of the 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 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 Remuneration Committee is independent and is appointed by the Board of Directors. The term of office of the Members of the 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 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 Remuneration Committee is composed by the independent directors Philippe Weber (Chairman) and by Riccardo Braglia.

The Remuneration Committee 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. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Remuneration Committee Member.

The Secretary 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 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 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 Remuneration Committee met five times in video conference meetings for an average duration of one hour and half in 2021.

The key topics included, among other things:

- approval of the Remuneration Report 2020;
- formal approval of final targets 2020 for the short-term incentives for the Group Executive Management and proposal to the Board for approval of targets;
- approval of proposal to the Board of Directors for remunerations to the Members of the Board of Directors;
- review and adoption of a Succession Plan for key employees;
- review of benchmarking peer group and external benchmark for Group Executive Management remuneration;
- approval of proposal to the Board of Directors for the maximum aggregate amounts of remunerations to the members of the Group Executive Management;
- approval of the Group Long-Term Incentive Plan (LTIP) subject to approval of 3-years business plan by the Board and proposal to Board to approve the LTIP;
- update and proposal for approval of the Long-Term Incentive Plan;
- revision of the 2020 short term incentive schemes for the Group Executive Management;
- approval of proposal of Individual targets of Short-Term Incentives of Group Executive Management;
- update on Organization Chart of Group.

The Remuneration Committee provides the Board of Directors with:

- a yearly report on the activities of the 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
25/02/2021	Remuneration Committee (All)	Alberto Siccardi (President of the Board)
	Daniel Müller (Deputy Secretary)	Francesco Siccardi (CEO)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Massimo Mangiarotti (HR Director)
		Stephan Hostettler of HCM
29/03/2021	Remuneration Committee (All)	Alberto Siccardi (President of the Board)
	Daniel Müller (Deputy Secretary)	Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Massimo Mangiarotti (HR Director)
24/05/2021	Remuneration Committee (All)	Alberto Siccardi (President of The Board)
	Daniel Müller (Deputy Secretary)	Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Massimo Mangiarotti (HR Director)
08/09/2021	Remuneration Committee (All)	Alberto Siccardi (President of The Board)
	Daniel Müller (Deputy Secretary)	Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
14/12/2021	Remuneration Committee (All)	Alberto Siccardi (President of The Board)
	Daniel Müller (Deputy Secretary)	Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (HR Director)

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 these 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 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 these 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 Compensation 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 651 para. 4 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 different 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. In case of extraordinary matters including significant unanticipated developments, the CEO is obliged to immediately report to the Chairman according to section 2.1.4 of the Organizational Regulations. During the course of 2021, the Group Executive Management attended each meeting of the Board of Directors and provided comprehensive business updates, in particular in light of the ongoing developments of the COVID-19 pandemic.

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 2021, the Board and its Committees have been updated regularly during their meetings by members of the Group Executive Management and Extended Executive Management on all key risks facing the Group, such as quality or manufacturing issues, the progress of major R&D projects and other risk areas as they are identified in the Enterprise Risk Management framework that was approved by the Board of Directors in December 2021.

In addition, Medacta has developed, implemented and maintains quality management systems that meet all relevant medical device industry standards and are certified according to ISO 13485 (the global standard for medical device quality systems) ensuring high quality products, processes and related customer support. As of December 31, 2021, our quality function comprised 12 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 Supply Chain Director (SCD).

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	SCD

FRANCESCO SICCARDI,

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

Other main activities: Member of the Board of Directors of Surgical Practice Resource Group SA, Lugano since 2015 and of Medacta for Life Foundation, Castel San Pietro since 2011. He has a diverse portfolio of interests in smaller private companies, mostly related to the family estate, of which he serves as either Member of the Board of Directors or President.

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.

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).

CORRADO FARSETTA,

Italian, CFO, Member of the Group Executive Management.

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.

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.

ALESSANDRO SICCARDI,

Swiss, Supply Chain Director, Member of the Group Executive Management.

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 and he is President of 2A Holding SA since 2019. He further serves on the Board of Medacta International SA and Medacta Holding SA.

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).

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. Also, in 2020 he completed a Supply Chain Program at the SDA Bocconi School of Management.

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 OAEC

As required by the OaEC 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 Remuneration Committee, the Members of the Group Executive Management may have the following other functions in the superior management or administrative bodies of legal entities obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof and 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 one 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 to have acquired the said shares in their own name and for their own account and 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 2021, 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 any other person who needs not be a shareholder. 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 requires 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 704 of the Swiss Code of Obligations and in article 18 and article 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 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 a company's statutory auditors or liquidators. According to article 7 para. 3 of the Articles of Association, the Board of Directors is further required to convene an extraordinary shareholders' meeting within two months if requested in writing by one or more shareholder(s) representing in aggregate at least 5% of the Company's share capital registered in the commercial register 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 known, notice shall be sent simultaneously by post and/or e-mail. The notice shall state the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the shareholders' meeting or that an item be included on the agenda.

6.4 INCLUSION OF ITEMS ON THE AGENDA

The Board of Directors states the items on the agenda.

Registered shareholders with voting rights individually or jointly representing at least 5% of the share capital of the Company may demand items to be included on the agenda. 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.

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 May 25, 2021, 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 29, 2021 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 presentation was held at the Board Meeting held on March 10, 2021. The results and findings of this report are also discussed in detail with the CFO approximately one week before the Auditor Committee meeting. During 2021, 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)	31.12.2021	31.12.2020
Audit fees	**435**	**502**
Annual audit fees	435	502
Non-audit related fees	**131**	**182**
Tax*	111	144
Other Services	20	38
Total	**566**	**684**

* The Tax fees are related to transfer pricing services.

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 of the December 31 balance sheet date. In addition, results for the first half of each fiscal year are released in electronic form within three months of 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 in person via telephone.

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:	http://www.medacta.com/EN/investors
Financial calendar:	https://www.medacta.com/EN/financial-calendar

MAY 19, 2022:	Annual General Meeting
JULY 15, 2022:	Publication of 2022 Half-Year Unaudited Top-line Figures
SEPTEMBER 9, 2022:	Publication of 2022 Half-Year results

10. INDEPENDENT PROXY

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

Fulvio Pelli, Lugano, was re-elected as the Independent Proxy of the Company on May 25, 2021.

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.

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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AUGMENTED REALITY SURGICAL PLATFORM

An innovative solution that features advanced planning tools, revolutionary tracking system, and augmented reality to potentially improve surgery accuracy and efficiency, with low upfront capital investment and cost per case compared to other technologies.

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.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee, I am pleased to introduce Medacta's Remuneration Report for the financial year ending December 31, 2021. This report follows a similar structure to the prior year's report. However, our open and regular dialogue with shareholders and proxy advisors led to some developments in disclosure that we believe improve transparency on how Medacta's performance results impact the variable incentive payments of the Group Executive Management. Transparency is key for us, so we continuously work to improve our disclosures.

The results reached in the Financial Year 2020, along with the resilience and proven ability to adapt to a new world, allowed the Board of Directors and the Group Executive Management to not extend the compensation cut measure for the Financial Year 2021. Medacta operations in 2021 were still affected by the COVID-19 pandemic, with last quarter developments that were challenged by a worldwide surge of COVID-19 cases that stalled operations. Despite the challenging market conditions, Medacta continued executing its strategy, with an impressive 20.0% growth rate as compared to the previous year period, gaining market shares, preserving margins, and investing in innovation, people, and technology to sustain our momentum. Medacta's expansion allowed to retain all our employee positions worldwide and add 158 jobs in critical areas to maximize the company's ability to execute our strategy.

As described in this report, Medacta's remuneration policy aims to support the Company's strategic plans; motivating Members of the Board of Directors and Group Executive Management on the near-medium terms and striving for future long-term success; attracting, engaging, and retaining the best talent in the MedTech industry. To this end, we have enhanced the remuneration structure in line with market practice, introducing a Long-Term Incentive Plan for our Group Executive Management, selected key managers and employees of Medacta, with a proposal at the Board of Directors meeting held on March 30, 2021. The plan approved by the Board of Directors provides 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.

#beMedacta culture is a key contributor for our sustainable success, as also described in the **Sustainability Report 2020**[1]. Integrity, trust and accountability, results orientation, teamwork and loyalty are all values that define our culture. Our values and their evaluation are integrated in our recruiting process, in the onboarding activities and in the performance review. In 2021 we reviewed and adopted a Succession plan for key employees and key roles within the Group to identify, develop, retain and train employees that will fill leadership roles as they become available and keep alive our #beMedacta culture.

For the upcoming years we expect to continue our focus on evolving our variable incentive plans to reflect Medacta's corporate social responsibility and sustainable approach, relevant environmental, social, and governance targets to ensure that our compensation framework is attractive, effective in achieving our mission, and sustainable. We will also continue to evolve the structure of our variable incentive plans, particularly with respect to maintaining and further strengthening the strong link between pay and performance.

In accordance with the **Articles of Association**[2], at the annual shareholders' meeting in May 2022, 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 2023. In addition, the shareholders will be asked to approve (i) the maximum overall fixed compensation of the Group Executive Management in 2023, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in 2021, and (iii) the maximum overall variable long-term compensation of the Group Executive Management that may be allocated in 2023. Finally, the annual shareholders' meeting will approve the amount of remuneration to Board Members for consulting services in a function other than as 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 would like to thank you for your continued feedback and ongoing support. We hope that you find this report informative, and we remain confident that our compensation system aligns well with our shareholder interests. We look forward to continued dialogue and collaboration.

Philippe Weber
Chairman of the Remuneration Committee

[1] Medacta's Sustainability Report 2020 is available on Medacta's website at https://www.medacta.com/EN/sustainability.

[2] 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 requirements of the Ordinance Against Excessive Compensation in Publicly Listed Companies ("OaEC"), 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 OAEC (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 Remuneration Committee as well as the Board of Directors and 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 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)	Remuneration Committee	Board	AGM
Remuneration Report	Remuneration Committee	Board	Board* * AGM has a consultive vote
Maximum aggregate amount of remuneration for the Board	Remuneration Committee	Board	AGM
Individual remuneration of Board Members	Remuneration Committee		Board
Maximum aggregate amount of remuneration (including STIP and LTIP) for GEM	Remuneration Committee	Board	AGM
Maximum aggregate amount of remuneration of the CEO	Remuneration Committee		Board
Individual remuneration of other GEM Members	Remuneration Committee		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 the Members of the Board of Directors or the Group Executive Management[3].
- **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 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.
- **Additional compensation for new Members of the Group Executive Management (article 29):** if newly appointed or promoted 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 or promoted 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.

In addition, Medacta's **Organizational Regulations**[4] including the Charter of the Remuneration Committee (in combination with the **Articles of Association**) describe and define the roles and responsibilities of the Remuneration Committee and the Board of Directors.

2.1 ROLE AND ACTIVITIES OF THE REMUNERATION COMMITTEE

Medacta's 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 Remuneration Committee is appointed by the Board of Directors and is independent. The 2021 Annual General Meeting ("AGM") confirmed Philippe Weber and Riccardo Braglia as respectively Chairman and Member of the Remuneration Committee. The Chairman of the Board from time to time attends the Remuneration Committee 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.

[3] 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.

[4] 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.

In general, the purpose of the 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 Remuneration Committee 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 Remuneration Committee, as well as details regarding their meetings held in 2021, please refer to the sub-heading entitled "Remuneration Committee" in the Corporate Governance Report (section 3.5 "Internal Organizational Structure"), included in this Annual Report.

The Remuneration Committee 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 Remuneration Committee met five times in 2021 for an average duration of one hour and a half. All members were present at each meeting and all five meetings were organized through webcast.

The Chairman of the Remuneration Committee reports to the Board of Directors at the Board meetings following each Remuneration Committee meeting, ensuring that the Board of Directors is kept informed in a timely and appropriate manner of all material matters within the 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 Remuneration Committee Member. The Remuneration Committee may invite to meetings and shall communicate periodically with the CEO, the CFO and the Head of HR, as well as such other persons as the Remuneration Committee deems appropriate, also including external advisors. During Financial Years 2020 and 2021, the Remuneration Committee and selected Medacta's managers appointed by the 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 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 **Remuneration Committee Charter**, the Remuneration Committee discussed the following topics during 2021:

Topic	February	March	May	September	December
Review and Approval of the 2020 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; - 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					✔
Review of the organization chart of the Group				✔	
Review and Adoption of a Succession Plan for key employees					✔
Review of remuneration principles, strategy and systems			✔	✔	
Individual targets and weighting of 2021 variable short-term incentive for the members of the Group Executive Management *		✔	✔		

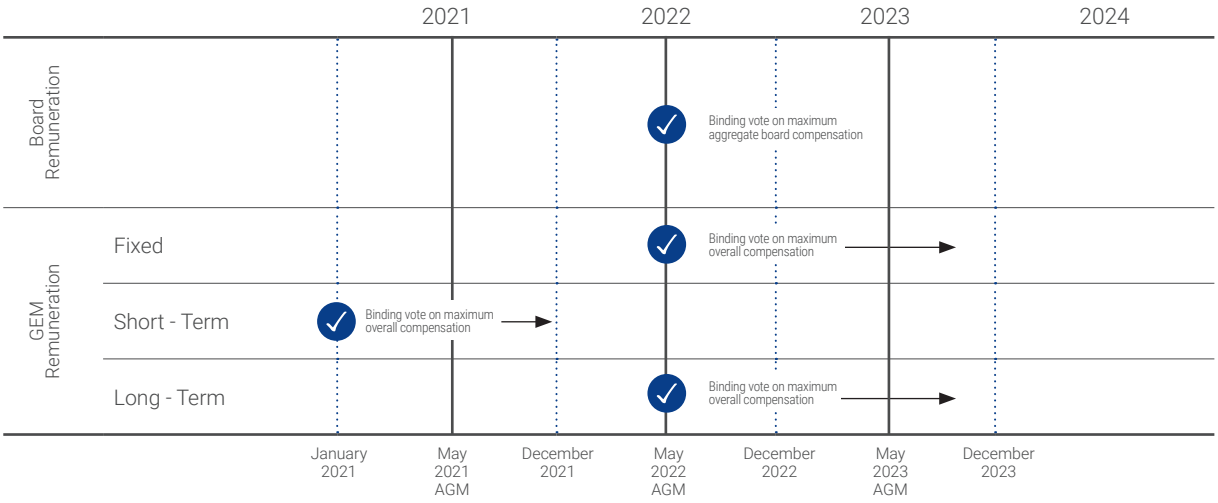
* To be proposed at the AGM 2022 meeting for approval.

2.2 ROLE AND ACTIVITIES OF THE SHAREHOLDERS REGARDING THE AGM

The Board of Directors will submit five separate remuneration-related resolutions for shareholder approval at the AGM 2022 (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 2023);
- The maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2023;
- 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, 2021;
- The maximum overall variable long-term remuneration of the Group Executive Management that may be allocated in for the business year ending December 31, 2023;
- 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 2023).

In addition, the Board of Directors will submit this Remuneration Report to a separate consultative vote for the shareholders at the AGM 2022.



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") 2021, 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 2021 until the AGM 2022: CHF 1.2 million;
- The maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2022: CHF 1.2 million;
- The maximum overall short-term remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2020: CHF 1.1 million;
- The maximum overall variable long-term remuneration of the Group Executive Management to be allocated in the Financial Year ending December 31, 2022: CHF 0.8 million;
- The maximum aggregate amount for services covered by article 25(3) of the **Articles of Association** (Consulting Services) for the period until the AGM 2022: CHF 0.15 million.

In addition, shareholders approved the FY 2020 Remuneration Report in a consultative vote.

3. REMUNERATION PHILOSOPHY AND PRINCIPLES

Medacta's 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 a core responsibility, the 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 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 Remuneration Committee, each year, assesses the compensation packages of similar companies. In 2021 we decided to reassess the companies within the worldwide benchmark, to reflect peers more balanced between focus in the orthopaedic industry and small to mid-capitalization. To carry out the compensation benchmark the following two groups of companies were analysed in 2021:

- Listed companies in the worldwide MedTech Industry[5]; and
- Companies in the Swiss MedTech industry or Healthcare industry with around 250 to 2'000 employees, with an international scope[6].

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 does not exceed in total the average of the fixed compensation paid to the respective Group Executive Management Member during the last three years.

[5] Zimmer Biomet, Nuvasive, Alphatec Holdings, Stryker, Globus Medical, based on information disclosed on the publicly available Annual Reports for 2020.
[6] Straumann, Sonova, Medartis, Tecan, Ypsomed, based on information disclosed on the publicly available Annual Reports for 2020.

4. REMUNERATION FRAMEWORK FOR BOARD OF DIRECTORS

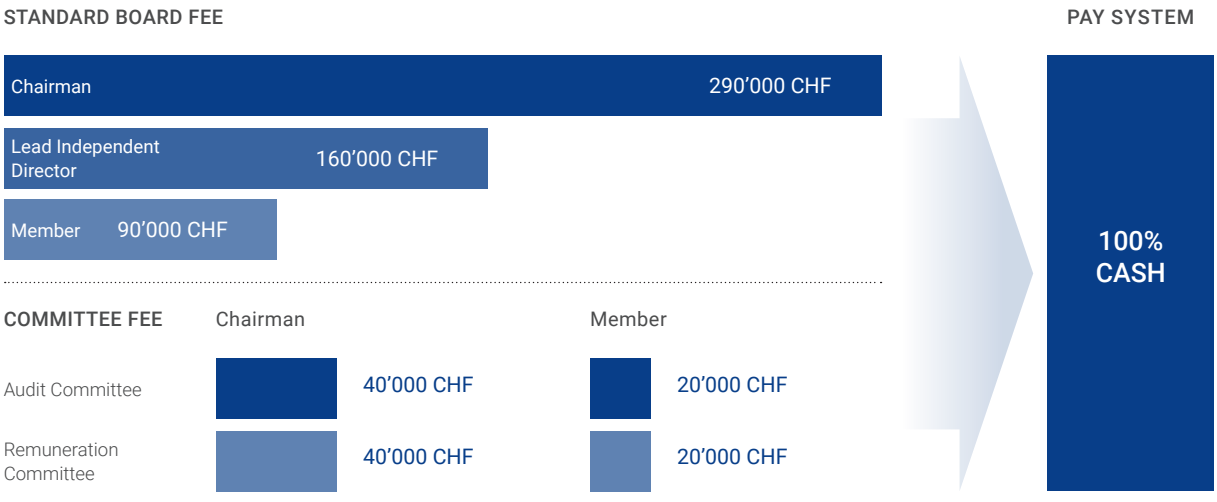
4.1 REMUNERATION APPROACH

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 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 2021 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 2022, consistent with the shareholder 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 2021 (as indicated on the table in section 4.2 "Remuneration Awarded 2021") reflect a 43% compensation increase in comparison to the Financial Year 2020. During the course of the prior financial year in response to the ongoing developments of the COVID-19 pandemic, the Board of Directors along with the Group Executive Management, decided to voluntarily reduce their compensation (both our Chairman Dr. Alberto Siccardi and our CEO Francesco Siccardi by 50% while the other Members of the Board of Directors and GEM by 20%). The results reached in the Financial Year 2020 along with the proved ability to adapt to a new world, allowed the Board of Directors and the Group Executive Management to not extend the compensation cut to the Financial Year 2021.



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 2021 (AUDITED)

For the term from the AGM 2021 until the AGM 2022, Medacta's shareholders approved a maximum aggregate amount of remuneration for the Board of Directors of CHF 1.2 million. Total remuneration awarded to the Board of Directors during Financial Year 2021 amounted to CHF 935 thousand and represents remuneration for services rendered from January 1, 2021 until December 31, 2021. As compared to FY 2020, there has been an overall increase of 43%. The increase reflects the composition of the Board but was most significantly the result of the 2020 voluntary salary reductions taken in connection with the onset of the COVID-19 pandemic. Our Founder and Chairman of the Board, Dr. Alberto Siccardi decided voluntarily, to reduce his 2020 total compensation by 50%, while all the other Members reduced their total compensation by 20%.

Thus, the amounts actually paid in 2021 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, 2021 and 2020:

2021 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	21'465	327'465	-	327'465
Maria Luisa Siccardi Tonolli	Member	90'000	20'000	8'100	9'853	127'953	-	127'953
Victor Balli	Member	160'000	40'000	-	17'603	217'603	-	217'603
Philippe Weber[2]	Member	90'000	40'000	-	11'644	141'644	-	141'644
Riccardo Braglia	Member	90'000	20'000	-	9'853	119'853	-	119'853
TOTAL ALL MEMBERS		**720'000**	**120'000**	**24'100**	**70'418**	**934'518**	**-**	**934'518**

[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 2021. Refer to section 4.2 "Remuneration Awarded 2021 (Audited)" for a comprehensive disclosure of the fees received by NKF.

2020 BoD Compensation

CHF	Role within the Board	Fixed Board fee	Committee fees	Compensation cuts[1]	Expenses[2]	Social security contribution	Sub-total	Shares	Total
Alberto Siccardi	Chairman	290'000	20'000	(155'000)	16'000	10'850	181'850	-	181'850
Maria Luisa Siccardi Tonolli	Member	90'000	20'000	(22'000)	8'100	7'877	103'977	-	103'977
Victor Balli	Member	160'000	51'833	(42'367)	504	15'042	185'012	-	185'012
Philippe Weber[3]	Member	90'000	51'833	(28'367)	-	10'145	123'611	-	123'611
Marco Gadola[4]	Member	34'750	15'444	-	-	4'493	54'687	-	54'687
Riccardo Braglia[5]	Member	3'500	720	(844)	-	302	3'678	-	3'678
TOTAL ALL MEMBERS		**668'250**	**159'830**	**(248'578)**	**24'604**	**48'710**	**652'817**	**-**	**652'817**

[1] As communicated with ad-hoc release dated April 17, 2020, to soften the economic impact of the COVID-19 pandemic, the Board Members decided to reduce their 2020 compensation. Our Founder and Chairman of the Board, Dr. Alberto Siccardi decided voluntarily, to reduce his 2020 total compensation by 50%, while all the other Members reduced their total compensation by 20%.
[2] 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.
[3] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to Medacta in 2020.
[4] Marco Gadola became a Board Member effective January 1, 2020 and was compensated till the annual general meeting held on May 19, 2020 since he did not stand for re-election to the Board of Directors of Medacta Group SA.
[5] Riccardo Braglia became a Board Member effective December 18, 2020.

The reconciliation of approved and dispensed compensation for the AGM 2020-2021 and 2021-2022 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
2020 AGM to 2021 AGM	CHF 0.7 million*	CHF 0.75 million	Approved 2020 AGM
2021 AGM to 2022 AGM	CHF 0.9 million**	CHF 1.2 million	Approved 2021 AGM

* Calculated for the 4 Members of the Board elected in the 2020 AGM.
** Calculated for the 5 Members of the Board elected in the 2021 AGM. The amount represents an estimate for the term of office from 2021 AGM to 2022 AGM. The final amount will be disclosed in the 2022 Remuneration Report.

In addition, with reference to article 25 para. 3 of the **Articles of Association**, for the period from the AGM 2020 until AGM 2021, 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 98 thousand (within the limits of CHF 750 thousand, approved by the AGM 2020). For the period from the AGM 2021 until December 31, 2021, Niederer Kraft Frey AG, acted as legal adviser and received fees in the amount of CHF 30 thousand (so far within the limits of CHF 150 thousand, approved by the AGM 2021).

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, 2021.

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 sub-heading 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 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 offer.
	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[7].

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.

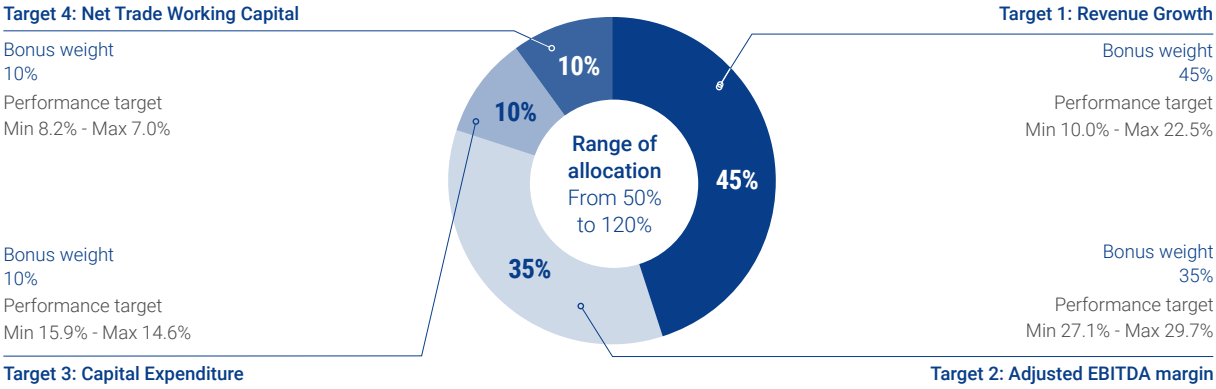
The short-term variable compensation of the Group Executive Management is determined based on the reaching of four financial targets: Revenue Growth, Adjusted EBITDA margin, Capital Expenditure and Net Working Capital. The financial targets are weighted differently for each member of the Group Executive Management, taking into account position and level

[7] Refer to section 3 "Remuneration Philosophy and Principles" of this report for the benchmarking analysis performed in 2021.

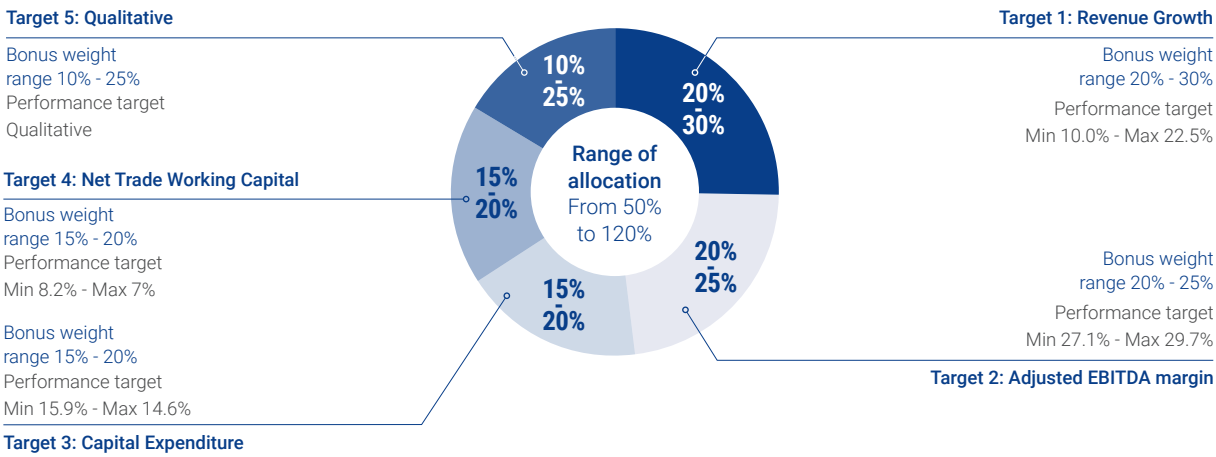
of responsibility. Revenue Growth target is between 10.0% and 22.5% and weights respectively 45% and 20% to 30% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Adjusted EBITDA margin target is between 27.1% and 29.7% and weights respectively 35% and 25% to 20% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Capital Expenditure target is between 15.9% and 14.6% and weights 10% and 15% to 20% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; and Net Working Capital target is between 8.2% and 7.0% and weights respectively 10% and 15% to 20% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively. In addition, approximately 25% and 10% of the short-term variable compensation of the CFO and Supply Chain Director are determined at the discretion of the Board of Directors, upon recommendation of the CEO and the Remuneration Committee, based on the quality of the performance of their duties (as described in greater detail below). Upon proposal by the 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 2021, the short-term variable remuneration, for the Group Executive Management represents 147% of the base salary. The CEO's short-term variable remuneration represents a maximum of 302% of the base salary and for other Members of the Group Executive Management on average 30% of the based 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 2021 was determined by the Board of Directors upon recommendation from the 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, 2021.

Regarding targets 1 and 2: 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 3 and 4: 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 Remuneration Committee, it would be possible to raise or to lower the CFO's and Supply Chain Director's variable components based on the quality of their performance duties as set in the **Organizational Regulations**.

The qualitative performance represents a maximum of 25% 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 Supply Chain Director'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 2021, 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 2022 for the CEO of CHF 1'087 thousand and an overall proposed payout of CHF 142 thousand for the other Members of the Group Executive Management, upon approval by the AGM 2022. This represents 296% for the CEO and 29% for the other members of the Group Executive Management base salary. The financial KPI's reached in 2021 are the following:

- 21.4% for the Revenue Growth at constant currency;
- 29.5% for the Adjusted EBITDA margin;
- 14.3% for the CAPEX on Revenue;
- 6.1% for the delta trade working capital on revenue.

Since STIP reflects the previous year's performance (i.e. FY 2021), 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**, share and business performance based Long-Term Incentive Plan (LTIP) was implemented. On March 30, 2021, the Board of Directors approved the implementation of the LTIP proposed by the Remuneration Committee, under the Performance Share Plan ("The Plan"), that was 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.

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.

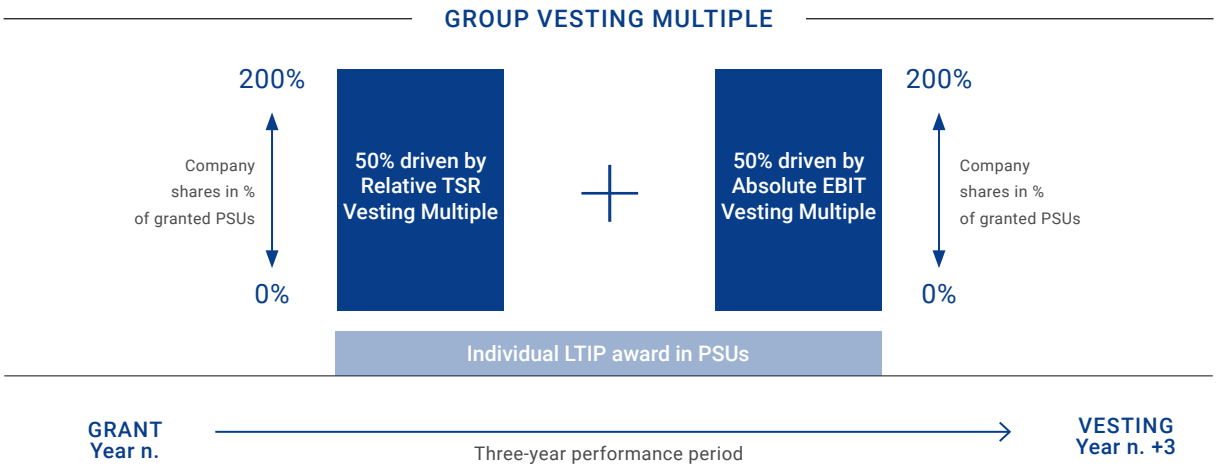
The incentive plan is measured over a rolling three-year performance period with the purpose of fostering long-term value creation for the Group. Eligible plan participants grant a certain number of Performance Share Units (PSUs), which represent a contingent entitlement to receive Medacta shares in 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 2021, 20'810 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 2021 grant fair value, the Group estimates the PSU reference value by using the fair value calculation under the Monte Carlo method that for the 2021 award cycle amounted to CHF 101.47.

The 2021 PSUs grant will vest at the end of the performance period in 2024 and will be converted in 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, 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.

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:

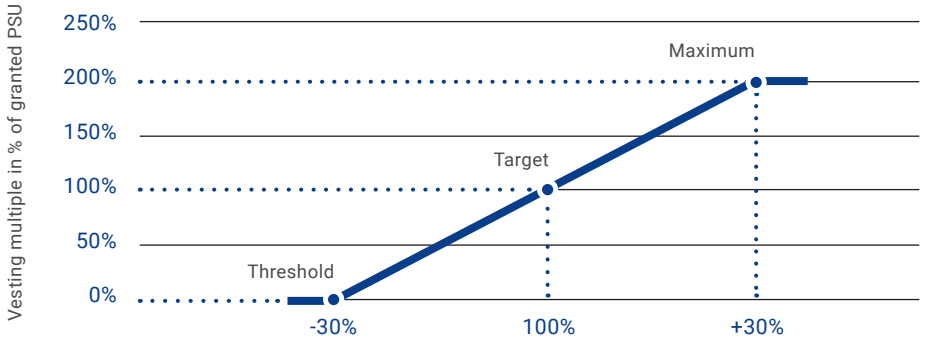
- the Relative TSR Vesting Multiple is calculated as the (positive or negative) difference between Medacta's TSR and the SPI Extra Total Return TSR[8], measured in percentage points (p.p.). Medacta's TSR is measured considering the compound annual growth rate of the Reference Price Ending compared to 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

[8] 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 (194 companies).

- 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.

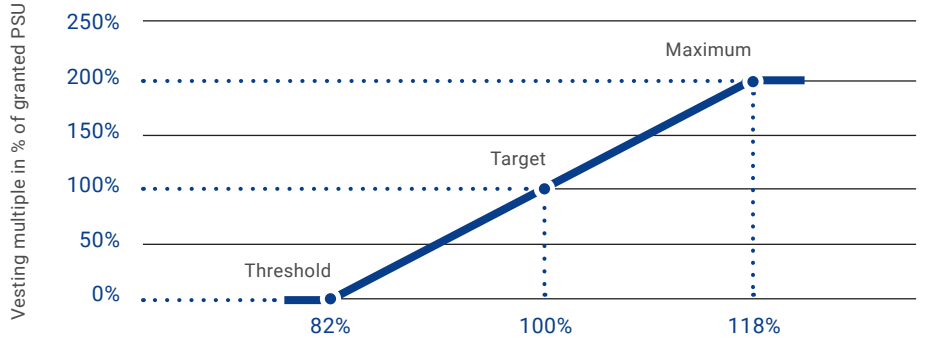
For the fiscal year 2021 grant, 100% of the PSUs linked to the Relative TSR Vesting Multiple will vest, if the Medacta's TSR is equivalent to the SPI Extra Total Return TSR10. The maximum vesting multiple of 200% applies if the Medacta's TSR is 30 or more percentage points above the SPI Extra Total Return 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 2021 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 2023 Remuneration Report we will explain the target achievement for the 2021 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 2021 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 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.

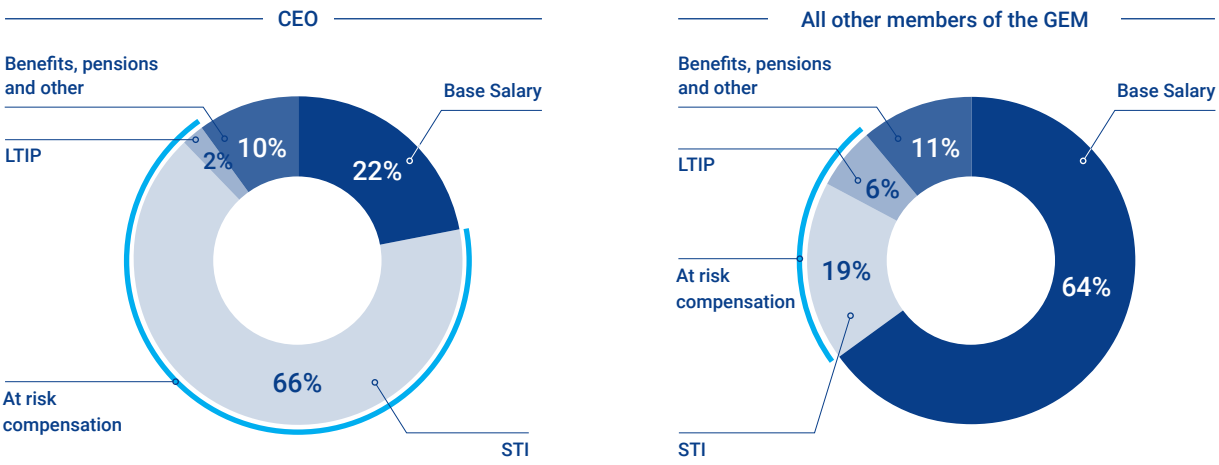
Other benefits may include a car and phone allowance and other fringe benefits that, if any, are disclosed in the remuneration table included in sub-heading 5.2 "Remuneration Awarded 2021 (Audited)" of this report. Out-of-pocket expenses incurred by Members of the Group Executive Management in connection 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 2021 (AUDITED)

COMPENSATION MIX

The 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 2021 amounted to 69% of his total remuneration, while other Members of the Group Executive Management's total variable remuneration for the financial year 2021 ranged from 19% to 27% of the total remuneration, in each case subject to approval of the AGM 2021.

GEM pay mix



The total aggregate amount approved by the annual shareholders' meeting 2021 for the fixed compensation of the Group Executive Management for the Financial Year 2021 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, 2021 to December 31, 2021 amounts to CHF 967 thousand, including CHF 113 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 2021 proposed by the Board of Directors to the AGM 2022 for the entire Group Executive Management (including CEO) will be CHF 1'340 thousand, including CHF 111 thousand of pension and social security contribution. The limit of the STI for 2021 for the Group Executive Management will be decided at the 2022 annual shareholders' meeting. The total aggregate amount approved by the annual shareholders' meeting 2020 for the variable long-term compensation of the Group Executive Management for the Financial Year 2021 amounts to CHF 1'000 thousand. The LTIP Fair Value at Grant for fiscal year 2021 recognized for the Group Executive Management (including CEO) is equal to CHF 84 thousand, including CHF 7 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 2021, the Group Executive Management consisted of three Members, all of them being Members of the Group Executive Management during the entire period. The 2021 Group Executive Management compensation increased by 77% from prior period. This significant increase is due to the prior year voluntary compensation cut that our Group Executive Management team agreed after that in Q1 2020 the COVID-19 pandemic hit globally. Medacta results reached at year-end 2020 along with the proved ability to adapt to a new world, allowed the Board of Directors and the Group Executive Management to not extend the compensation cut to the Financial Year 2021.

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, 2020 and 2021 respectively.

2021 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)	367'100	1'087'345	34'707	22'200	145'511	1'656'863
Other members of the Group Executive Management (aggregated)	486'896	142'342	42'179	-	85'584	757'001
Total all members of the Group Executive Management	**853'996**	**1'229'687**	**76'886**	**22'200**	**231'095**	**2'413'864**

[1] Proposal by the Board of Directors to the AGM 2022.
[2] Disclosure reflects the awards for the reporting year, that represents the pro-rata temporis fair value at grant for FY 2021. 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 2021 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 2021 LTIP grant made.

2020 GEM Compensation

CHF	Fixed Compensation	Proposed variable short-term compensation[1]	Variable long-term compensation	Compensation cuts[2]	Expenses[3]	Pension & social security contribution	Total
Francesco Siccardi (CEO)	367'100	1'013'098	-	(690'099)	22'200	69'566	781'865
Other members of the Group Executive Management (aggregated)	434'785	197'282 [4]	-	(112'411)	-	58'533	578'189
Total all members of the Group Executive Management	**801'885**	**1'210'380**	**-**	**(802'510)**	**22'200**	**128'099**	**1'360'054**

[1] Approved by the 2021 AGM.
[2] As communicated with Ad-hoc release dated April 17, 2020, to soften the economic impact of the COVID-19 pandemic, the Group Executive Management decided to reduce their 2020 compensation. Our CEO, Ing. Francesco Siccardi decided voluntarily, to reduce his 2020 total compensation by 50%, while all the other Members reduced their total compensation by 20%. These 2020 remuneration cuts will be offset in the settlement of the 2020 short-term compensation, approved by the AGM 2021.
[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] As part of the proposed variable short-term compensation, we recognized CHF 70 thousand related to the CFO compensation for holding in 2020 an additional role as IR, pending the planned appointment of a new head of IR occurred in September 2020.

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, 2021.

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 sub-heading 6.26 "Related Party Transactions" of the Financial Report included in this Annual Report.

6. OWNERSHIP OF SHARES AND OPTIONS

As of December 31, 2021, there were not 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, 2021:

SHARES HELD BY MEMBERS OF THE BOARD (AUDITED)

Board Members	Role	Shares held as at December 31, 2021	Shares held as at December 31, 2020
Alberto Siccardi	Chairman	2'022'710 *	2'037'645
Maria Luisa Siccardi Tonolli	Member	3'946'273	3'946'273
Victor Balli	Lead Independent Director	1'500 **	1'500
Philippe Weber	Independent Director	-	-
Riccardo Braglia	Independent Director	43'500 **	43'500

* Dr. Alberto Siccardi, Chairman of the Board of Directors of Medacta Group SA, on October 18 and 19, 2021 sold respectively 10'348 and 4'587 share units. These shares sold are the same units purchased in 2020 and disclosed in the 2020 Financial Report in Note 6.25 "Related Party Transactions".
** Shareholdings represent less than 0.3% of the Company's share capital and voting rights.

SHARES HELD BY MEMBERS OF THE GEM (AUDITED)

GEM Members	Role	Shares held as at December 31, 2021	Shares held as at December 31, 2020
Francesco Siccardi	Chief Executive Officer	3'946'272 *	3'961'934
Corrado Farsetta	Chief Financial Officer	-	-
Alessandro Siccardi	Supply Chain Director	3'946'273	3'946'273

* Mr. Francesco Siccardi, CEO of Medacta Group SA, on October 18 and 19, 2021 sold respectively 10'852 and 4'810 share units. These shares sold are the same units purchased in 2020 and disclosed in the 2020 Financial Report in Note 6.25 "Related Party Transactions".

7. OTHER REMUNERATION-RELATED INFORMATION UNDER THE OAEC (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.

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 2021 Financial Statements of Medacta Group SA (sub-heading 6.26 "Related Party Transactions"), enclosed in this Annual Report. For the Remuneration paid to the Board of Directors, refer to sub-heading 4.2 "Remuneration Awarded 2021 (AUDITED)" of this Remuneration Report.

9. REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

Deloitte.

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Svizzera

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Report of the Statutory Auditor

To the General Meeting of
MEDACTA GROUP SA, CASTEL SAN PIETRO

We have audited the remuneration report of Medacta Group SA for the year ended 31 December 2021. Our audit is limited to the information provided in the sections 4.2, 5.2, 6, and 7 labeled "audited" on pages 92, 93, 99, 100, 101 and 102 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance).

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

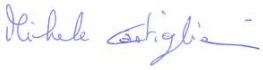
Auditor's Responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2021 of Medacta Group SA complies with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte SA



Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Michele Castiglioni
Licensed Audit Expert

Lugano, 10 March 2022
FL/MC/dbo

Medacta International

FINANCIAL REPORT

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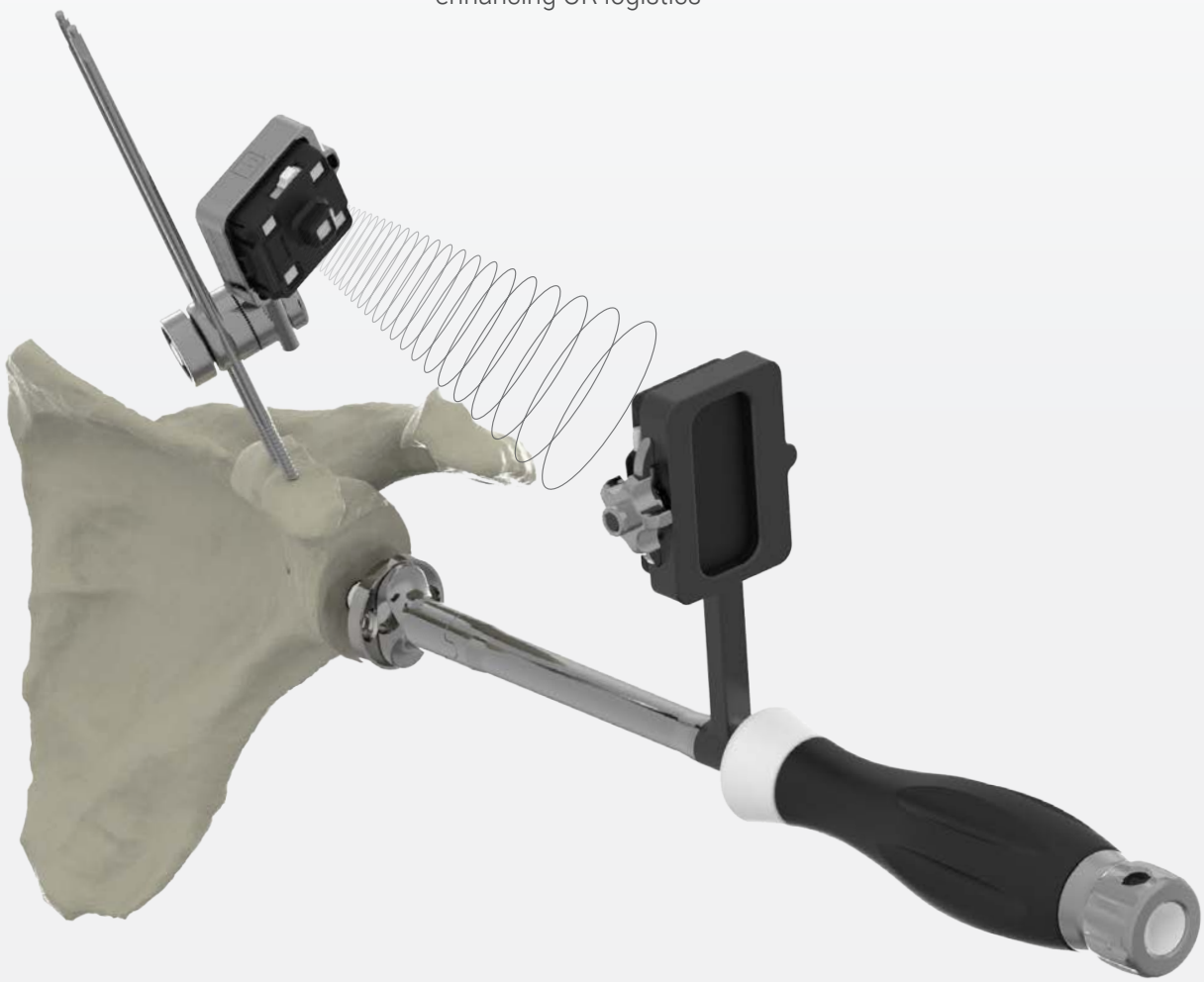
AUGMENTED REALITY SURGICAL PLATFORM

An innovative solution that features advanced planning tools, revolutionary tracking system, and augmented reality to potentially improve surgery accuracy and efficiency, with low upfront capital investment and cost per case compared to other technologies.

SMART DELIVERY TOOLS

NextAR TS proprietary single-use, compact and integrated detection systems, adding intelligence to surgery while enhancing OR logistics



1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Thousand Euro)	Notes	31.12.2021	31.12.2020
Revenues	6.24.1	363'126	302'492
Cost of Sales		(101'879)	(88'236)
GROSS PROFIT		**261'247**	**214'256**
Research and Development expenses	6.24.2	(11'306)	(6'829)
Sales and Marketing expenses		(132'555)	(110'069)
General and Administrative expenses	6.24.2	(58'844)	(47'472)
Other income	6.24.3	1'536	1'809
Other expenses	6.24.3	(1'301)	(2'252)
OPERATING PROFIT(EBIT)		**58'777**	**49'443**
Financial income	6.24.4	2'318	4'957
Financial costs	6.24.4	(5'644)	(14'468)
PROFIT BEFORE TAXES		**55'451**	**39'932**
Income taxes	6.11	(3'930)	(2'841)
PROFIT FOR THE YEAR		**51'521**	**37'091**
ATTRIBUTABLE TO			
Equity holders of the parent	6.27	51'521	37'091
Non-controlling interests		-	-
BASIC EARNINGS PER SHARE	6.27	**2.58**	**1.85**
DILUTED EARNINGS PER SHARE *	6.27	**2.58**	**1.85**

* In the year ended December 31, 2020 there is no effect of dilution, and diluted earnings per share equals basic earnings per share.

The Notes are an integral part of the Consolidated Financial Statements

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Thousand Euro)	Notes	31.12.2021	31.12.2020
PROFIT FOR THE YEAR		**51'521**	**37'091**
OTHER COMPREHENSIVE INCOME			
Remeasurements of defined benefit obligations	6.20	2'663	(686)
Tax effect on remeasurements of defined benefit obligations		(462)	119
TOTAL ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**2'201**	**(567)**
Currency translation differences		8'726	4'959
TOTAL ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**8'726**	**4'959**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		**10'927**	**4'392**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**62'448**	**41'483**
ATTRIBUTABLE TO			
Equity holders of the parent		62'448	41'483
Non-controlling interests		-	-

The Notes are an integral part of the Consolidated Financial Statements

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

ASSETS

(Thousand Euro)	Notes	31.12.2021	31.12.2020
Property, plant and equipment	6.7	155'378	131'642
Right-of-use assets	6.8	24'371	21'722
Goodwill and intangible assets	6.9	51'975	48'797
Other non-current financial assets	6.10	479	488
Deferred tax assets	6.11	29'029	21'588
TOTAL NON-CURRENT ASSETS		**261'232**	**224'237**
Inventories	6.12	136'091	114'187
Trade receivables	6.13	59'436	45'782
Other current financial assets	6.10	-	1'297
Other receivables and prepaid expenses	6.14	12'103	8'364
Cash and cash equivalents	6.15	20'404	48'068
TOTAL CURRENT ASSETS		**228'034**	**217'698**
TOTAL ASSETS		**489'266**	**441'935**

LIABILITIES AND EQUITY

(Thousand Euro)	Notes	31.12.2021	31.12.2020
Share capital	6.16	1'775	1'775
Capital contribution reserve	6.16	21'227	21'227
Retained earnings and other reserves	6.16	192'363	139'409
Foreign currency translation reserve	6.16	11'032	2'306
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**226'397**	**164'717**
Non-controlling interests		-	-
EQUITY		**226'397**	**164'717**
Non-current financial liabilities	6.17	49'552	65'044
Other non-current liabilities	6.18	8'123	3'197
Non-current provisions	6.19	1'185	1'237
Retirement benefit obligation	6.20	12'145	13'023
Deferred tax liabilities	6.11	39'837	36'269
Non-current lease liabilities	6.17	15'470	13'642
TOTAL NON-CURRENT LIABILITIES		**126'312**	**132'412**
Trade payables	6.22	25'951	16'477
Other current liabilities	6.18	11'002	24'329
Current financial liabilities	6.17	64'486	66'339
Current provisions	6.19	349	8'399
Accrued expenses and deferred income	6.23	29'055	23'861
Current lease liabilities	6.17	5'714	5'401
TOTAL CURRENT LIABILITIES		**136'557**	**144'806**
TOTAL LIABILITIES		**262'869**	**277'218**
TOTAL LIABILITIES AND EQUITY		**489'266**	**441'935**

The Notes are an integral part of the Consolidated Financial Statements

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 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 year	-	-	51'521	-	-	-	51'521
Remeasurements of defined benefit obligations	-	-	2'663	-	-	-	2'663
Tax effect on remeasurements of defined benefit obligations	-	-	(462)	-	-	-	(462)
Currency translation differences	-	-	-	-	8'726	-	8'726
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**53'722**	**-**	**8'726**	**-**	**62'448**
Purchase of treasury shares	-	-	-	(1'242)	-	-	(1'242)
Share-based payment transactions	-	-	474	-	-	-	474
BALANCE DECEMBER 31, 2021	**1'775**	**21'227**	**193'605**	**(1'242)**	**11'032**	**-**	**226'397**

	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 year	-	-	37'091	-	-	-	37'091
Remeasurements of defined benefit obligations	-	-	(686)	-	-	-	(686)
Tax effect on remeasurements of defined benefit obligations	-	-	119	-	-	-	119
Currency translation differences	-	-	-	-	4'959	-	4'959
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**36'524**	**-**	**4'959**	**-**	**41'483**
Purchase of treasury shares	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-	-
BALANCE DECEMBER 31, 2020	**1'775**	**21'227**	**139'409**	**-**	**2'306**	**-**	**164'717**

The Notes are an integral part of the Consolidated Financial Statements

5. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Thousand Euro)	Notes	31.12.2021	31.12.2020
PROFIT FOR THE YEAR		**51'521**	**37'091**
Adjustments for:			
Income taxes	6.11	3'930	2'841
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	6.24.2	40'436	37'016
(Gain) / loss on disposal of tangible and intangible assets		901	1'140
Foreign exchange result		(357)	5'003
Interest expenses		1'698	1'880
Change in Provisions and Retirement benefit obligations	6.12; 6.13 ; 6.19 ; 6.20	9'072	1'545
Share-based payments expense	6.21	468	
Income taxes paid		(25'430)	(8'501)
Interest paid		(1'698)	(1'880)
(Increase) / decrease in trade receivables		(13'941)	718
(Increase) / decrease in other receivables and prepaid expenses		(3'509)	2'117
(Increase) / decrease in inventories		(16'792)	(13'487)
Increase / (decrease) in trade payables		8'523	(1'387)
Increase / (decrease) in other liabilities and accruals		(761)	(4'504)
CASH FLOW FROM OPERATING ACTIVITIES		**54'061**	**59'592**
Purchase of tangible assets	6.7	(46'491)	(27'285)
Purchase of intangible assets *		(8'127)	(10'093)
Proceeds from disposal of tangible assets		2'566	3'217
Changes in financial assets		10	(32)
CASH FLOW FROM INVESTING ACTIVITIES		**(52'042)**	**(34'193)**
Proceeds from borrowings	6.17	846	4'344
Repayment of borrowings	6.17	(24'801)	(4'389)
Repayment of lease liabilities	6.17	(6'015)	(5'981)
Purchase of treasury shares	6.16	(1'242)	
CASH FLOW FROM FINANCING ACTIVITIES		**(31'212)**	**(6'026)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(29'193)**	**19'373**
Cash and cash equivalents at the beginning of the year	6.15	48'068	27'241
Net effect of currency transaction on cash and cash equivalent		1'529	1'454
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6.15	**20'404**	**48'068**

* "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, 2021 AND 2020

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 orthopaedic 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, 2021 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 utilized 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 January 1, 2021 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 were prepared and presented utilizing the indirect method and cash flows from investing and financing activities were prepared and presented utilizing 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. Example of non-cash transactions, as mentioned in IAS7, 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 "Impact of COVID-19").

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.

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 judgment from management are described below:

- Leases – Due to the application of IFRS 16, judgement is required to determine the lease term. Management considers all circumstances and facts that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment;
- Development costs – Applying IAS 38, the Group recognises an internally-generated intangible asset arising from development only if all the conditions specified in the standard have been demonstrated (refer to Note 6.2 "Consolidation principles, composition of the Group and significant accounting policies" paragraph "Significant accounting policies"). Management uses its judgement, based on facts 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 estimation uncertainty are the following:

- Impairment test for intangible assets – The Group has intangible assets mainly represented by internal capitalized development costs, trademarks and customer lists acquired through business combination. Capitalized 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 capitalized 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. As stated in Note 6.1 "Significant events and transactions" paragraph "Impact of COVID-19", in 2021 our performances have been still affected by the COVID-19 global pandemic. It is possible that further underperformance may occur in 2022, depending on evolution of the pandemic and on the response of local governments and healthcare authorities worldwide. A sensitivity analysis was performed to review the impact of reasonably possible changes in key assumptions (see Note 6.9 "Goodwill and 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 utilization has been determined to be probable. The ultimate realization 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 – Inventories are periodically evaluated and written down in the case that their net realizable value is lower than their carrying amount. Write-downs for obsolescence or slow moving are calculated on the basis of management assumptions and judgements which are derived from experience and historical results. As of December 31, 2021, management have not changed the key assumptions underlying the methodology of calculation.
- 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 6.20 "Retirement benefit obligations".

- 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

IMPACT OF COVID-19

In 2021 our performances have been still affected by the COVID-19 global pandemic, nevertheless, the Group was able to deliver strong top-line growth, margin expansion, and solid cash flow results. 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. 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, delivering 35.4% revenue growth at constant currency (31.7% reported). This strong performance was limited by further pandemic restrictions occurred during the second semester due to the highly transmissible Delta and Omicron variants which along with staffing shortages at hospitals, resulted in further deferrals of elective surgical procedures. Although our 2021 performance was limited by the pandemic resurgence, we were able to close our second semester growing our top-line by 10.1% at constant currency, when compared to the same prior year period which benefited from pent-up demand. Despite these factors, we increased our net sales by 21.4% at constant currency (20.0% reported), 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 unpredictability about the future impact of COVID-19 on the results of the Group, the Directors believe that there are no financial or other indicators presenting material uncertainties that may cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

Following the COVID-19 pandemic, some governments of the countries where the Group operates decided to provide assistance in the form of subsidies or government grants to cover part of the cost of personnel incurred during the period in which the Group lost part of its profitability (refer to Note 6.24.2 "Information on the Consolidated Statement of Profit or Loss - Analysis of expenses" paragraph "Personnel expenses").

The Group has also assessed the impact of COVID-19 on the expected credit loss (ECL), considering any adjustments needed to the provision matrix to reflect current and future economic condition. The assessment did not lead to any material change to the allowance on trade receivables (refer to Note 6.13 "Trade receivables").

Intangible assets with indefinite useful lives were tested for impairment at September 30, 2021. Impairment review has been undertaken by comparing the expected recoverable value of the asset to the carrying value. The recoverable amounts are based on cash flow projections using the Group's base case scenario, which was reviewed and approved by the Board. Additionally, severe downside sensitivity analyses have been undertaken on the base case scenario. No impairments were identified as a result of the impairment reviews and sensitivity analyses undertaken. Nevertheless, for all the non-current assets held by the Group at December 31, 2021, Management assessed any indicators of impairment as a result of COVID-19. In assessing the list of internal and external indicators provided by IAS 36 and, even considering the impact of COVID-19 in the year-end economic performance, Management does not believe that as of December 31, 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 we expect to be deferred in the years to come. The internal sources of information assessed, indicates that mid and long-term fundamentals on the expected economic performance have not changed.

NEW EU REGULATION ON MEDICAL DEVICES (MDR)

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

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

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 the Group 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

The Group uses the acquisition method of accounting to account for business combinations.

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. Unrealised gains and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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 and Financial Position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position are translated at the closing rate;
- Income and expenses for 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);
- All resulting exchange differences are recorded in Other Comprehensive Income in equity.

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 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 2021	% of shares held December 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)	2'018'550 EUR	Full Consolidation
Medacta Canada Inc.	100%	100%	Kitchener (CA)	100 CAD	Full Consolidation
Medacta España S.L.	100%	100%	Burjassot (ES)	3'000 EUR	Full Consolidation
Medacta France SAS	100%	100%	Villeneuve la Garenne (FR)	37'000 EUR	Full Consolidation
Medacta Germany GmbH	100%	100%	Göppingen (DE)	25'000 EUR	Full Consolidation
Medacta Italia S.r.l.	100%	100%	Milan (IT)	2'600'000 EUR	Full Consolidation
Medacta Japan Co. Ltd	100%	100%	Tokyo (JP)	25'000'000 JPY	Full Consolidation
Medacta UK Ltd	100%	100%	Hinckley (UK)	29'994 GBP	Full Consolidation
Medacta USA Inc.	100%	100%	Franklin - Tennessee (US)	50'050'000 USD	Full Consolidation

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

The percentages of shares held, reported in the above table, represent both the shares of the capital and the votes held. The ultimate parent company is Medacta Group SA. The Group has neither associated companies nor joint arrangements. The registered offices for each entity represent the subsidiary's main place of administration.

SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENT

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 equivalent is considered to have low credit risk since it is deposited in bank institutions with over BBB+ rating. The carrying amount of these assets is approximately equal to their fair value.

INVENTORIES

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

Inventories of finished goods and work in progress are valued at the lower of production cost, including the acquisition price of the raw materials and consumables, the costs directly attributable to the product in question and a proportion of the costs indirectly attributable to the production in question, and net realizable value.

The net realizable 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 utilization and their net realizable value. The Group also considers other reasons that the cost of inventories may not be recoverable such as damage, obsolescence, declines in selling price or allocation to marketing purpose. The cost of inventories may not be recoverable if the estimated costs of completion or 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 realizable 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 realizable 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 realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost. Historical cost includes expenditures that are directly attributable to the acquisition of the items. After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation, calculated from the date the asset is available for use and any accumulated impairment loss. 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

Depreciation is not accounted for land or assets under construction.

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".

Depreciation ceases when property, plant and equipment is classified as held for sale, in compliance with IFRS 5—Non-Current Assets Held for Sale and Discontinued Operations.

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. The carrying amount of the replaced part is derecognised. Repair and maintenance costs are charged to the Consolidated Statement of Profit or Loss during the financial period in which they are incurred.

The net carrying amount of the items of property, plant and equipment is assessed, in the case of impairment indicators, at each reporting date. The Group would record a write-down of the net carrying amount if it is higher than the recoverable amount.

Assets' useful lives are assessed at each reporting date.

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.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

LEASES

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which the lessee is, except for 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 presented as a separate line in the Consolidated Statement of Financial Position.

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 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. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

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 and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy.

INTANGIBLE ASSETS (INCLUDING GOODWILL)

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 represents the difference between the cost incurred for acquiring a controlling interest (in a business) and the fair value of the assets acquired and liabilities assumed at the acquisition date. 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

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of 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 capitalized 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, concessions, patents and other intangible assets

Assets, including distribution networks and franchise agreements 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 relationships 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 relationship 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, with the exception of in-process development projects that are tested for impairment at least once a year.

Trademarks are amortised on a straight-line basis over periods of 5 years. Distributor network and contractual customer relationships (customer lists) are amortised on a straight-line basis over periods of 15 years. Other intangible assets are amortised on a straight-line basis over periods of 5 years.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite life are not subject to amortisation but are tested at least annually for impairment. All other assets within the scope of IAS 36 are tested for impairment whenever there are indicators that those assets may be impaired. If such indicators exist, the assets' net carrying amount is compared to their estimated recoverable amount. An impairment loss is recognised if the carrying amount is higher than the recoverable amount.

For the purposes of assessing impairment, property, plant and equipment, right-of-use assets and intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Unit or CGU). Intangible assets with a definite useful life are reviewed at each reporting date to assess whether there is an indication that an impairment loss recognised in prior periods may no longer exist or has decreased. If such an indication exists, the loss is reversed and the carrying amount of the asset is increased to its recoverable amount, which may not exceed the carrying amount that would have been determined if no impairment loss had been recorded.

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.

Property, plant and equipment, right-of-use assets and definite-life intangible 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.

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 relate. 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.

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 at 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.

FINANCIAL INSTRUMENTS

Financial assets (classification)

Financial assets are initially measured at fair value. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVTOCI and FVTPL. The classification of financial assets under IFRS 9 is based on the business model within which a financial asset is managed and its contractual cash flow characteristics. The Group is subject to two principal classifications:

- 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 Profit or Loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through Profit or Loss.

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, 2021 and 2020.

Impairments of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost or at FVTOCI. 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 financial assets;
- Other receivables 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 reorganization.

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 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 2021 and 2020, 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").

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 the 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 period, except tax arising from:

- A transaction or event which is recognised, in the same or a different period, either in Other Comprehensive Income/(Loss) or directly in equity;
- A 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, associate or joint venture on distributions to the reporting entity.

Income tax expenses comprise current and deferred income tax.

Current income tax

Current income 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.

Tax expenses are recognised in the Consolidated Statement of Profit or Loss, except to the extent that they relate to items recognised in Other Comprehensive Income ("OCI") or directly in equity.

In this case, taxes are also recognised in OCI or directly in equity, respectively.

Management periodically takes positions 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 tax

Deferred tax is provided using the liability method 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, associates and interests in joint arrangements, 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 of the deferred tax assets to be utilized. 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 utilized. 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.

The above-mentioned estimates and assumptions are subject to uncertainty especially as it relates to future performance or tax rates applicable. Therefore, changes in current estimates due to unanticipated events could have a significant impact on the Consolidated Financial Statements.

RETIREMENT BENEFIT OBLIGATIONS

Pension obligations

Most employees are covered by post-employment plans sponsored by corresponding Group companies in the Medacta Group. Such plans are mainly defined contribution plans (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 pension 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.

The Group also has defined benefit pension plans. Accounting and reporting of these plans are based on annual 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" in equity.

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.

Other non-current benefits

Other non-current benefits mainly comprise length of service compensation benefits in certain Group companies. Contributions made by employees or 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.

SHARE-BASED COMPENSATION

On March 30, 2021 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, especially in this extraordinary period. 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, 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. 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 6.21 "Share-based payment transactions". No expense is recognized for awards that do not ultimately vest. 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 6.27 "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 recognized 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 recognized 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 utilization. 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 in countries where Medacta has no presence of its own. 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 some contracts provide trade discounts or rebates. Revenue is recognised, as soon as the performance obligation is satisfied, at the transaction price identified. Revenue is adjusted by the estimated discounts to be applied to individual customers based on achievement of set targets; Medacta applies the "most likely amount" method in order to estimate the variable considerations.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Following the COVID-19 pandemic, 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. The total amount of government grants was recognised in the Consolidated Profit or Loss, applying the accounting policy of the Group, as a deduction of the underlying costs for which the subsidies were granted (see Note 6.24.2 "Information on the Consolidated Statement of Profit or Loss - Analysis of expenses" paragraph "Personnel expenses").

6.3 NEW ACCOUNTING AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR REPORTING PERIODS BEGINNING ON JANUARY 1, 2021

IMPACT OF THE INITIAL APPLICATION OF INTEREST RATE BENCHMARK REFORM: AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7 PHASE 1 AND PHASE 2

In September 2019, the IASB issued Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). The Group adopted the amendments for the first time in the prior year. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform -Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as "risk free rates" or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IMPACT OF THE INITIAL APPLICATION OF COVID-19-RELATED RENT CONCESSIONS BEYOND JUNE 30, 2021 - AMENDMENT TO IFRS 16

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. In March 2021, the IASB issued COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022);
- There is no substantive change to other terms and conditions of the lease.

The Group has applied the amendment to IFRS 16. 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, 2022 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, "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 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 stabilize the results of the Group by minimizing 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, 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 risks 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. Trade receivable are the most significant amount in foreign currency and Medacta used foreign currency denominated debt to manage this exposure.

Additionally, a foreign currency transaction risk exists in relation to future commercial transactions which are denominated in a currency other than the functional currency.

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, 2021, forward currency contracts with a nominal value of USD 34'000 thousand (2020: USD 30'000 thousand) and negative fair value of Euro 39 thousand (2020: positive fair value of Euro 1'297 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. Fair value changes of financial derivatives are booked as financial income/(costs) into the Consolidated Statement of Profit or Loss (refer to Note 6.24.4 "Information on the Consolidated Statement of Profit or Loss - Financial income/(costs)").

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 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 Medacta International SA, whose functional currency is Swiss Franc.

The sensitivity analysis considers major foreign currency risk exposures, 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, 2021 and as of December 31, 2020).

The following tables demonstrates 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, 2021

(Thousand Euro)

Currency *	Closing exchange rate	Increase / (Decrease)	Profit Before Taxes	Equity
USD/CHF	0.9122	10%	5'135	-
EUR/CHF	1.0370	10%	1'379	-
JPY/CHF	0.0079	10%	508	-
AUD/CHF	0.6623	10%	(148)	-
USD/CHF	0.9122	(10%)	(5'135)	-
EUR/CHF	1.0370	(10%)	(1'379)	-
JPY/CHF	0.0079	(10%)	(508)	-
AUD/CHF	0.6623	(10%)	148	-

* The amounts in the table above are calculated in CHF, which is the functional currency of Medacta International SA. The figures summarized in the table are reported in thousand Euro, which is the presentation currency of the Group.

As at December 31, 2020

(Thousand Euro)

Currency *	Closing exchange rate	Increase / (Decrease)	Profit Before Taxes	Equity
USD/CHF	0.8849	10%	5'333	-
EUR/CHF	1.0807	10%	2'856	-
JPY/CHF	0.0085	10%	551	-
AUD/CHF	0.6806	10%	(106)	-
USD/CHF	0.8849	(10%)	(5'333)	-
EUR/CHF	1.0807	(10%)	(2'856)	-
JPY/CHF	0.0085	(10%)	(551)	-
AUD/CHF	0.6806	(10%)	106	-

* The amounts in the table above are calculated in CHF, which is the functional currency of Medacta International SA. The figures summarized 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.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's current interest-bearing assets and current and non-current debts with floating interest rates. No hedging activities (such as interest rate swaps) were conducted during the 2021 and 2020 closing periods.

The Group has only limited exposure to interest rate changes. The most substantial interest risk exposure on liabilities relates to the bank loans with variable rate.

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 SENSIVITY - IMPACT ON PROFIT OR LOSS (Thousand Euro)	**50 basis points increase**
As at December 2020	(662)
As at December 2021	(633)

CREDIT RISK

Credit risk exists in relation to trade and other receivables, cash and deposits in banks.

The Group performs recurring credit checks on its receivables. Due to the customer diversity there is no single credit limit for all customers, however the Group assesses its customers taking into account their Financial Position, past experience, and other factors.

Trade receivables balance at the end of the year is equal to Euro 59'436 thousand (Euro 45'782 thousand in 2020), out of which Euro 5'118 thousand are due from a single customer (Euro 4'562 thousand in 2020). Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk related to largest trade customer did not exceed 15% of gross monetary assets at any time during the year. 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 "BBB+" 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 for the amount >90 days past due	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, 2021 (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)	59'693	(695)	58'998
Trade receivables (credit impaired)	6.13	N/A	**	Lifetime ECL (credit impaired)	2'295	(1'857)	438

December 31, 2020 (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)	46'306	(524)	45'782
Trade receivables (credit impaired)	6.13	N/A	**	Lifetime ECL (credit impaired)	464	(464)	-

* 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 reorganization.

LIQUIDITY RISK

The management of the liquidity risk which originates from the normal 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, 2021 and 2020.

The reported balances are contractual and undiscounted figures.

As at December 31, 2021 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Total
Trade payables	25'951	-	-	**25'951**
Financial accrued expenses	10'111	-	-	**10'111**
Current financial liabilities *	64'479	-	-	**64'479**
Non-current financial liabilities	-	42'518	7'112	**49'630**
Current lease liabilities	5'731	-	-	**5'731**
Non-current lease liabilities	-	12'187	3'932	**16'119**
Interest on financial debt	1'395	4'043	188	**5'626**
Net derivative financial (assets)/liabilities	39	-	-	**39**
Gross outflows	*29'692*	-	-	***29'692***
Gross inflows	*(29'653)*	-	-	***(29'653)***

* In 2021, "Current financial liabilities" include Euro 38'572 thousand related to credit lines with no maturity date.

As at December 31, 2020 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Total
Trade payables	16'477	-	-	**16'477**
Financial accrued expenses	8'592	-	-	**8'592**
Current financial liabilities *	66'347	-	-	**66'347**
Non-current financial liabilities	-	57'942	7'102	**65'044**
Current lease liabilities	5'558	-	-	**5'558**
Non-current lease liabilities	-	11'292	2'880	**14'172**
Interest on financial debt	1'492	5'208	1'088	**7'788**
Net derivative financial (assets)/liabilities	(1'297)	-	-	**(1'297)**
Gross outflows	*25'617*	-	-	***25'617***
Gross inflows	*(26'914)*	-	-	***(26'914)***

* In 2020, "Current financial liabilities" include Euro 36'553 thousand related to credit lines with no maturity date.

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). That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, use the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, 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 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 summarize the financial instruments carried at fair value, by valuation method as of December 31, 2021 and 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.

Carrying amount (based on measurement basis)

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

	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 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.

The level 3 balance as of December 31, 2020 was related 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 was equal to CHF 150 thousand, corresponding to Euro 139 thousand as of December 31, 2020, evaluated through a discounted cash flow model and an assessment of the probability that the contingent events would have occurred. During 2021, one of the conditions provided by the acquisition contract occurred. The Group signed an amendment to the original contract to pay CHF 70 thousand for the condition fulfilled and completed by the counterpart, while the remaining amount of CHF 80 thousand, originally related to the fulfilment of an additional condition, shall not be due.

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 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 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 financial year as of December 31, 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, Indonesia, Japan, Malaysia, New Zealand, Taiwan, Vietnam) and Rest of the World (RoW) area (which includes all other geographic locations, including the Middle East and Latin America). Sales are attributed to geographic areas based on the customer's location, whereas property, plant and equipment based on the geographic area where legal entities are located. The Group did not report other non-current assets by geographic area since the cost to develop the information would be excessive and will not provide any material value to the reader.

SALES AND PROPERTY, PLANT AND EQUIPMENT (Thousand Euro)	31.12.2021 Net sales	31.12.2021 Property, plant and equipment	31.12.2020 Net sales	31.12.2020 Property, plant and equipment
Europe*	156'405	120'081	129'273	110'002
North America**	109'225	32'977	92'721	19'743
Asia Pacific***	84'911	2'320	71'992	1'897
RoW	12'585	-	8'506	-
TOTAL CONSOLIDATED	**363'126**	**155'378**	**302'492**	**131'642**

* Property, plant and equipment located in Switzerland represented 79.8% and 77.4% of the Group's total property, plant and equipment as at December 31, 2021 and 2020, respectively. Net sales recorded in Switzerland were Euro 38'172 thousand and Euro 36'112 thousand as at December 31, 2021 and 2020, respectively.
** Property, plant and equipment located in the United States represented 16.7% and 15.0% of the Group's total property, plant and equipment as at December 31, 2021 and 2020, respectively. Net sales recorded in the United States were Euro 108'452 thousand and Euro 92'226 thousand as at December 31, 2021 and 2020, respectively.
*** Property, plant and equipment located in Australia represented 0.7% and 0.8% of the Group's total property, plant and equipment as at December 31, 2021 and 2020, respectively. Net sales recorded in Australia were Euro 50'636 thousand and Euro 41'236 thousand as at December 31, 2021 and 2020, respectively.

6.7 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

December 31, 2021 (Thousand Euro)	Land	Buildings	Plants & Machinery	Instruments	Other fixtures and fitting, tool and equipment	Assets under construction	Total
HISTORICAL COST							
BALANCE JANUARY 1, 2021	**7'420**	**36'298**	**25'410**	**172'133**	**21'298**	**3'287**	**265'846**
Additions	-	314	2'943	37'445	3'397	2'392	46'491
Disposals	-	-	-	(4'663)	(112)	(12)	(4'787)
Transfers *	-	5'720	1'684	-	39	(5'720)	1'723
Exchange differences	313	1'783	1'271	8'468	946	96	12'877
BALANCE DECEMBER 31, 2021	**7'733**	**44'115**	**31'308**	**213'383**	**25'568**	**43**	**322'150**
ACCUMULATED DEPRECIATION							
BALANCE JANUARY 1, 2021	**-**	**(3'898)**	**(14'449)**	**(99'617)**	**(16'240)**	**-**	**(134'204)**
Depreciation of the year and impairment loss	-	(1'169)	(1'711)	(22'803)	(1'917)	-	(27'600)
Disposals	-	-	-	1'604	135	-	1'739
Transfers *	-	-	(675)	-	(32)	-	(707)
Exchange differences	-	(217)	(717)	(4'368)	(698)	-	(6'000)
BALANCE DECEMBER 31, 2021	**-**	**(5'284)**	**(17'552)**	**(125'184)**	**(18'752)**	**-**	**(166'772)**
NET BOOK VALUE							
BALANCE JANUARY 1, 2021	**7'420**	**32'400**	**10'961**	**72'516**	**5'058**	**3'287**	**131'642**
BALANCE DECEMBER 31, 2021	**7'733**	**38'831**	**13'756**	**88'199**	**6'816**	**43**	**155'378**

* The total balance of "Transfers" refers to the reclass from right-of-use assets to property plant and equipment due to the purchase of the leased assets.

PROPERTY, PLANT AND EQUIPMENT

December 31, 2020 (Thousand Euro)	Land	Buildings	Plants & Machinery	Instruments	Other fixtures and fitting, tool and equipment	Assets under construction	Total
HISTORICAL COST							
BALANCE JANUARY 1, 2020	**7'377**	**35'852**	**23'455**	**163'808**	**17'916**	**32**	**248'440**
Additions	-	242	584	21'642	1'407	3'410	27'285
Disposals	-	-	(100)	(9'352)	(242)	-	(9'694)
Transfers *	-	-	1'373	(290)	2'358	(10)	3'431
Exchange differences	43	204	98	(3'675)	(141)	(146)	(3'616)
BALANCE DECEMBER 31, 2020	**7'420**	**36'298**	**25'410**	**172'133**	**21'298**	**3'287**	**265'846**
ACCUMULATED DEPRECIATION							
BALANCE JANUARY 1, 2020	**-**	**(2'974)**	**(12'371)**	**(85'552)**	**(12'193)**	**-**	**(113'090)**
Depreciation of the year and impairment loss	-	(916)	(1'595)	(21'227)	(2'069)	-	(25'807)
Disposals	-	-	121	5'147	147	-	5'415
Transfers *	-	-	(568)	160	(2'216)	-	(2'624)
Exchange differences	-	(8)	(36)	1'855	91	-	1'902
BALANCE DECEMBER 31, 2020	**-**	**(3'898)**	**(14'449)**	**(99'617)**	**(16'240)**	**-**	**(134'204)**
NET BOOK VALUE							
BALANCE JANUARY 1, 2020	**7'377**	**32'878**	**11'084**	**78'256**	**5'723**	**32**	**135'350**
BALANCE DECEMBER 31, 2020	**7'420**	**32'400**	**10'961**	**72'516**	**5'058**	**3'287**	**131'642**

* The total balance of "Transfers" refers to the reclass from right-of-use assets to property plant and equipment due to the purchase of the leased assets.

Additions for the period ended 2021 equal to Euro 46'491 thousand (Euro 27'285 thousand in 2020) are primarily related to investments made on instruments equal to Euro 37'445 thousand (Euro 21'642 thousand in 2020).

As of December 31, 2021, tangible fixed assets for a total amount of Euro 16'494 thousand have been pledged as collateral for borrowing facilities (2020: Euro 16'312 thousand).

During the years 2021 and 2020 no impairment losses have been recognised on property, plant and equipment.

6.8 LEASES

RIGHT-OF-USE ASSETS

The table below shows the movement of right-of-use assets for the period ended December 31, 2021:

December 31, 2021 (Thousand Euro)	Land and Building	Motor vehicles	ITC Equipment	Plant and Machinery	Other tool and equipment	Total
HISTORICAL COST						
BALANCE JANUARY 1, 2021	**10'485**	**4'456**	**159**	**16'991**	**39**	**32'130**
Additions	3'049	1'675	29	2'234	434	**7'421**
Disposals	(276)	(843)	(50)	-	-	**(1'169)**
Transfers *	-	-	-	(1'684)	(39)	**(1'723)**
Exchange differences	285	26	3	738	20	**1'072**
BALANCE DECEMBER 31, 2021	**13'543**	**5'314**	**141**	**18'279**	**454**	**37'731**
ACCUMULATED DEPRECIATION						
BALANCE JANUARY 1, 2021	**(3'393)**	**(2'051)**	**(89)**	**(4'843)**	**(32)**	**(10'408)**
Depreciation	(1'759)	(1'507)	(44)	(1'216)	(14)	**(4'540)**
Disposals	276	843	50	-	-	**1'169**
Transfers *	-	-	-	675	32	**707**
Exchange differences	(48)	(13)	1	(227)	(1)	**(288)**
BALANCE DECEMBER 31, 2021	**(4'924)**	**(2'728)**	**(82)**	**(5'611)**	**(15)**	**(13'360)**
NET BOOK VALUE						
BALANCE JANUARY 1, 2021	**7'092**	**2'405**	**70**	**12'148**	**7**	**21'722**
BALANCE DECEMBER 31, 2021	**8'619**	**2'586**	**59**	**12'668**	**439**	**24'371**

* 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.

December 31, 2020 (Thousand Euro)	Land and Building	Motor vehicles	ITC Equipment	Plant and Machinery	Other tool and equipment	Total
HISTORICAL COST						
BALANCE JANUARY 1, 2020	**9'848**	**3'418**	**138**	**15'562**	**2'065**	**31'031**
Additions	978	1'570	31	2'726	-	**5'305**
Disposals	(51)	(507)	(7)	-	-	**(565)**
Transfers *	-	-	-	(1'373)	(2'058)	**(3'431)**
Exchange differences	(290)	(25)	(3)	76	32	**(210)**
BALANCE DECEMBER 31, 2020	**10'485**	**4'456**	**159**	**16'991**	**39**	**32'130**
ACCUMULATED DEPRECIATION						
BALANCE JANUARY 1, 2020	**(1'743)**	**(1'170)**	**(45)**	**(4'175)**	**(1'794)**	**(8'927)**
Depreciation	(1'756)	(1'395)	(52)	(1'218)	(266)	**(4'687)**
Disposals	51	503	7	-	-	**561**
Transfers *	-	-	-	568	2'056	**2'624**
Exchange differences	55	11	1	(18)	(28)	**21**
BALANCE DECEMBER 31, 2020	**(3'393)**	**(2'051)**	**(89)**	**(4'843)**	**(32)**	**(10'408)**
NET BOOK VALUE						
BALANCE JANUARY 1, 2020	**8'105**	**2'248**	**93**	**11'387**	**271**	**22'104**
BALANCE DECEMBER 31, 2020	**7'092**	**2'405**	**70**	**12'148**	**7**	**21'722**

* 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, 4 years for motor vehicles, 4 years ITC equipment, 7 years for plants and machineries and 5 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, 2021 and 2020:

(Thousand Euro)	31.12.2021	31.12.2020
Depreciation charge of right-of-use assets	(4'543)	(4'690)
Interest expense (included in financial costs)	(324)	(345)
Expense relating to short-term leases	(123)	(83)
Expense relating to leases of low-value assets that are not short-term leases	(50)	(39)

The total cash outflow for leases including short-term leases and low-value-assets in 2021 amount to Euro 6'512 thousand (Euro 6'448 thousand in 2020).

6.9 GOODWILL AND INTANGIBLE ASSETS

INTANGIBLE FIXED ASSETS

December 31, 2021 (Thousand Euro)	Development Costs	Customer Lists	Goodwill	Other intangible assets	Total
HISTORICAL COST					
BALANCE JANUARY 1, 2021	**46'059**	**15'641**	**59**	**21'541**	**83'300**
Additions	8'091	220	-	1'818	10'129
Disposals	(419)	-	-	-	(419)
Exchange differences	2'261	114	-	810	3'185
BALANCE DECEMBER 31, 2021	**55'992**	**15'975**	**59**	**24'169**	**96'195**
ACCUMULATED AMORTISATION					
BALANCE JANUARY 1, 2021	**(14'165)**	**(4'098)**	**-**	**(16'240)**	**(34'503)**
Amortization of the year	(4'765)	(1'052)	-	(2'082)	(7'899)
Impairment loss	(397)	-	-	-	(397)
Disposals	-	-	-	-	-
Exchange differences	(797)	(10)	-	(614)	(1'421)
BALANCE DECEMBER 31, 2021	**(20'124)**	**(5'160)**	**-**	**(18'936)**	**(44'220)**
NET BOOK VALUE					
BALANCE JANUARY 1, 2021	**31'894**	**11'543**	**59**	**5'301**	**48'797**
BALANCE DECEMBER 31, 2021	**35'868**	**10'815**	**59**	**5'233**	**51'975**

INTANGIBLE FIXED ASSETS

December 31, 2020 (Thousand Euro)	Development Costs	Customer Lists	Goodwill	Other intangible assets	Total
HISTORICAL COST					
BALANCE JANUARY 1, 2020	**38'405**	**15'776**	**59**	**19'553**	**73'793**
Additions	7'800	-	-	2'002	9'802
Disposals	(96)	-	-	(51)	(147)
Exchange differences	(50)	(135)	-	37	(148)
BALANCE DECEMBER 31, 2020	**46'059**	**15'641**	**59**	**21'541**	**83'300**
ACCUMULATED AMORTISATION					
BALANCE JANUARY 1, 2020	**(11'134)**	**(3'052)**	**-**	**(14'023)**	**(28'209)**
Amortization of the year	(3'204)	(1'053)	-	(2'253)	(6'510)
Impairment loss	(12)	-	-	-	(12)
Disposals	-	-	-	51	51
Exchange differences	185	7	-	(14)	178
BALANCE DECEMBER 31, 2020	**(14'165)**	**(4'098)**	**-**	**(16'240)**	**(34'503)**
NET BOOK VALUE					
BALANCE JANUARY 1, 2020	**27'271**	**12'724**	**59**	**5'530**	**45'584**
BALANCE DECEMBER 31, 2020	**31'894**	**11'543**	**59**	**5'301**	**48'797**

Development mainly consists of cost incurred for the development of new products or modification of existing products in the pipeline. The Group capitalizes 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 licences to distribute products.

The increase of Customer list in 2021 is related to the acquisition of Levante Medica 2008 S.L. for Euro 220 thousand through an Asset Purchase agreement finalized by Medacta España S.L. in November 2021. Management assessed that this agreement meets the definition of a business as provided by the IFRS 3, since Medacta acquired 12 employees, customer lists and specific contracts capable of creating outputs in the distribution business. The consideration for this deal was fully allocated to the customer list acquired and the related pay-out will occur only in 2022. The related liability is classified as of December 31, 2021, within "Current financial liabilities" (see Note 6.17 "Financial and lease liabilities").

The residual balance of Customer lists relates to business combinations occurred in 2018 and 2017. In particular they are related to the acquisition of ASD "Advanced Surgical Devices" in 2018 and Medacare GmbH and Vivamed GmbH 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. Based on the quarterly analysis performed during the year, Medacta recognised a loss for impairment amounting to Euro 397 thousand in 2021 (Euro 12 thousand in 2020), and losses for the derecognition of projects amounting as of December 31, 2021 to Euro 419 thousand (Euro 96 in 2020).

For the purpose of the annual impairment test, performed on data as of September 30, 2021, In-Process Research and Development projects (IPR&D) for a total amount of Euro 8'494 thousand, were allocated to cash-generating-units (CGU) corresponding to Product Families. 38 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 did not lead to any impairment loss of the carrying amount of the development projects in 2021 and 2020.

The discount rate applied in the valuation model, amounting to 6.8%, 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 2.0% in the discount rate would lead to an impairment loss amounting Euro 307 thousand.
- A decrease of 25.0% in forecasted revenues would lead to an impairment loss amounting Euro 1'308 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 OTHER FINANCIAL ASSETS

Other financial assets are comprised of the following items:

(Thousand Euro)	31.12.2021	31.12.2020
Forward Currency Contracts	-	1'297
Rent deposit	479	488
TOTAL OTHER FINANCIAL ASSETS	**479**	**1'785**
Current	-	1'297
Non-Current	479	488

Forward Currency Contracts at December 31, 2020 was related to the positive fair value of derivative financial instruments, amounting Euro 1'297 thousand. As of December 31, 2021, the fair value of derivative financial instruments is negative (Euro 39 thousand) and it is classified within Current Financial Liabilities (see Note 6.17 "Financial and lease liabilities").

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

INCOME TAXES

(Thousand Euro)	31.12.2021	31.12.2020
Current income taxes	8'504	7'183
Deferred income taxes	(4'574)	(4'342)
TOTAL INCOME TAXES	**3'930**	**2'841**

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)	31.12.2021	31.12.2020
Profit before taxes	55'451	39'932
AVERAGE TAX RATE	**16.8%**	**18.2%**
TAX AT AVERAGE TAX RATE	**9'310**	**7'277**
Patent Box deduction	(3'517)	(2'267)
AVERAGE TAX RATE NET OF DEDUCTIONS	**10.4%**	**12.5%**
+ / - EFFECTS OF		
Expenses not subject to tax, net	394	461
Revenues not subjected to tax, net	(14)	(70)
Effects from previous years	(798)	46
Change in tax rates on deferred tax balances	(1'532)	(2'623)
Other	87	17
TOTAL INCOME TAXES	**3'930**	**2'841**
EFFECTIVE INCOME TAX RATE (%)	**7.1%**	**7.1%**

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. The applicable Group tax rate for 2021 is 16.8% and for 2020 was 18.2%. In 2021 the average tax rate was positively impacted by the deduction of the provision accrued in Medacta USA on the MicroPort litigation (see Note 6.25 "Litigations", paragraph "MicroPort matter"), which resulted in the recognition of a deferred tax asset on losses generated by the entity. Starting from 2020, the Swiss tax reform provided the possibility to obtain a special tax deduction from taxable profits for qualifying profits arising from patent rights ("Patent Box deduction"). Medacta decided to use this possibility and the Patent Box deduction had a positive impact in 2021 of around Euro 3.5 million (around Euro 2.3 million in 2020), lowering the effective tax rate by about 6.3 percentage points (5.7 percentage points in 2020).

In addition, in 2021 Medacta International SA recognised the following effects: a positive impact amounting to approximately Euro 0.9 million due to the settlement of previous years' taxes accrued in excess; a positive impact amounting around Euro 1.4 million related to the Swiss tax reform which will enact a lower tax rate, from 17.3% to approximately 15.0% starting from January 1, 2025. The change in tax rate resulted in a lower net deferred tax liability due to the revaluation of temporary differences expected to reverse after January 1, 2025. In the comparative period, income taxes were impacted by the reduction of the ordinary corporate income tax rates applied by most cantons in Switzerland, according to the Tax Reform enacted at the beginning of 2020. The tax rate applicable for Medacta International SA decreased from 18.6% to 17.3%. This deduction had a positive impact on deferred tax liabilities (and assets), previously recognised at the higher tax rate, amounting around Euro 2.6 million.

The Group has not recognised deferred tax liabilities in respect of unremitted earnings that are considered indefinitely invested in foreign subsidiaries. As of December 31, 2021, those unremitted earnings retained by consolidated entities amount to Euro 2'717 thousand (2020: Euro 569 thousand).

DEFERRED INCOME TAXES

The Group recognises in the Consolidated Financial Statements as of December 31, 2021 the gross amounts of Deferred tax assets and Deferred tax liabilities, respectively amounting to Euro 38'070 thousand and to Euro 48'878 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 utilization.

As of December 31, 2021, 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)	31.12.2021	31.12.2020
Net deferred tax assets	29'029	21'588
Net deferred tax liabilities	(39'837)	(36'269)
TOTAL NET DEFERRED TAXES	**(10'808)**	**(14'681)**

The amount netted between deferred tax asset and deferred tax liabilities is equal to Euro 9'041 thousand. For a better comprehension of deferred tax assets and liabilities, the schemes below show the respectively gross amounts.

The movement in deferred income tax assets and liabilities is as follows:

DEFERRED TAX ASSETS

as at December 31, 2021 (Thousand Euro)	Property, plant and equipment	Inventories, receivables, provisions and other liabilities	Tax losses carried forward	Total
BALANCE JANUARY 1, 2021	**1'719**	**26'451**	**1'571**	**29'741**
Deferred taxes recognised in the income statement	175	5'737	958	6'870
Deferred taxes recognize in OCI	-	462	-	462
Exchange differences	84	759	154	997
BALANCE DECEMBER 31, 2021	**1'978**	**33'409**	**2'683**	**38'070**

DEFERRED TAX ASSETS

as at December 31, 2020 (Thousand Euro)	Property, plant and equipment	Inventories, receivables, provisions and other liabilities	Tax losses carried forward	Total
BALANCE JANUARY 1, 2020	**1'719**	**25'644**	**1'482**	**28'845**
Deferred taxes recognised in the income statement	-	2'696	196	2'892
Deferred taxes recognize in OCI	-	119	-	119
Exchange differences	-	(2'008)	(107)	(2'115)
BALANCE DECEMBER 31, 2020	**1'719**	**26'451**	**1'571**	**29'741**

As per December 31, 2021 and 2020, there were no unrecognised tax losses carried forward.

DEFERRED TAX LIABILITIES

as at December 31, 2021 (Thousand Euro)	Property, plant and equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Total
BALANCE JANUARY 1, 2021	**21'188**	**5'432**	**17'802**	**44'422**
Deferred taxes recognised in the income statement	1'675	(430)	1'051	2'296
Deferred taxes recognize in OCI	-	-	-	-
Exchange differences	1'189	193	778	2'160
BALANCE DECEMBER 31, 2021	**24'052**	**5'195**	**19'631**	**48'878**

DEFERRED TAX LIABILITIES

as at December 31, 2020 (Thousand Euro)	Property, plant and equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Total
BALANCE JANUARY 1, 2020	**20'714**	**7'907**	**17'595**	**46'216**
Deferred taxes recognised in the income statement	933	(2'490)	107	(1'450)
Deferred taxes recognize in OCI	-	-	-	-
Exchange differences	(459)	15	100	(344)
BALANCE DECEMBER 31, 2020	**21'188**	**5'432**	**17'802**	**44'422**

6.12 INVENTORIES

Inventories are composed of the following items:

INVENTORIES

(Thousand Euro)	31.12.2021	31.12.2020
Raw materials	19'128	15'214
Work in progress and semifinished goods	14'484	11'164
Finished goods	102'479	87'809
TOTAL INVENTORIES	**136'091**	**114'187**

The cost of inventories recognised in "Cost of Sales" as of December 31, 2021 includes Euro 2'592 thousand (Euro 1'808 thousand in 2020) in respect of write-downs of inventory to net realisable value for slow moving, phase out and obsolete stock, and has been reduced by Euro 1'183 thousand (Euro 829 thousand in 2020) in respect of the reversal of such write-downs.

6.13 TRADE RECEIVABLES

(Thousand Euro)	31.12.2021	31.12.2020
Trade receivable, gross	61'988	46'770
Loss allowance on trade receivables	(2'552)	(988)
TOTAL TRADE RECEIVABLES	**59'436**	**45'782**

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, 2021 (Thousand Euro)	**Not Credit Impaired**	**Credit Impaired**	**Total**
Trade receivables, gross	59'693	2'295	**61'988**
Expected Credit Loss allowance	(695)	(1'857)	**(2'552)**

TRADE RECEIVABLES AGING (NOT CREDIT IMPAIRED)

December 31, 2021 (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	**59'693**	45'566	7'697	2'388	1'684	1'288	502	568
Expected Credit Loss rate (%) *		0.2%	1.1%	2.3%	1.9%	13.6%	11.6%	35.1%
Expected Credit Loss allowance	**(695)**	(93)	(82)	(55)	(33)	(175)	(58)	(199)

* Expected Credit Loss rates are estimated based on historical credit loss experience, adjusted to reflect current conditions, estimates of future economic conditions and macro-economic factors in each of the country where the Group operates.

December 31, 2020 (Thousand Euro)	**Not Credit Impaired**	**Credit Impaired**	**Total**
Trade receivables (credit impaired), gross	46'306	464	**46'770**
Expected Credit Loss allowance	(524)	(464)	**(988)**

TRADE RECEIVABLES AGING (NOT CREDIT IMPAIRED)

December 31, 2020 (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	**46'306**	35'124	7'095	1'331	633	942	639	542
Expected Credit Loss rate (%) *		0.1%	0.2%	0.8%	1.9%	3.1%	9.2%	66.8%
Expected Credit Loss allowance	**(524)**	(38)	(14)	(10)	(12)	(29)	(59)	(362)

* Expected Credit Loss rates are estimated based on historical credit loss experience, adjusted to reflect current conditions, estimates of future economic conditions and macro-economic factors in each of the country where the Group operates.

The following table summarizes the movements in the loss allowance for expected credit losses:

(Thousand Euro)	**2021**	**2020**
BALANCE AS AT JANUARY 1	**(988)**	**(664)**
Change in loss allowance and write-offs	(1'618)	(350)
Amounts recovered (utilization of loss allowance)	62	-
Exchange differences	(8)	26
TOTAL LOSS ALLOWANCE ON TRADE RECEIVABLES AS AT DECEMBER 31	**(2'552)**	**(988)**

6.14 OTHER RECEIVABLES AND PREPAID EXPENSES

(Thousand Euro)	31.12.2021	31.12.2020
Other tax receivables	7'343	4'953
Advance to suppliers	1'469	767
Prepaid expenses	2'779	2'319
Other receivables	512	325
TOTAL OTHER RECEIVABLES AND PREPAID EXPENSES	**12'103**	**8'364**

Other tax receivables are mainly represented by VAT credits. Prepaid expenses are mainly composed by operating expenditures incurred during the relevant financial year but relating to a subsequent business year.

6.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following items:

(Thousand Euro)	31.12.2021	31.12.2020
Cash on hand	32	25
Current bank accounts	20'372	48'043
TOTAL CASH AND CASH EQUIVALENTS	**20'404**	**48'068**

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 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.

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

Medacta Group SA did not approve any dividend distribution for the year ended December 31, 2020.

The Board of Directors proposes to the Annual General Meeting of Medacta Group SA on May 19, 2022 a distribution of CHF 10.7 million (CHF 0.54 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, 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 December 31, 2021 the number of treasury shares amounted to 10'007, corresponding to CHF 1'342'660 (Euro 1'242 thousand).

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

At December 31, 2021, "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 2'300 thousand (Euro 425 thousand in 2020), of which Euro 1'850 thousand within "Other non-current financial liabilities" and Euro 450 thousand within "Other current financial liabilities". The increase in 2021 is related to contracts signed during the year. The cost of the contracts has been capitalized as intangible assets in "Development" line item. In addition, "Other current financial liabilities" include Euro 220 thousand related to the acquisition of a customer list occurred in 2021, which will be paid in 2022 (see Note 6.9 "Goodwill and intangible assets").

Following tables summarize the composition of Financial liabilities:

FINANCIAL LIABILITIES

(Thousand Euro)	31.12.2021	31.12.2020
Bank loans and credit facilities, current *	63'776	65'914
Forward Currency Contracts	39	-
Other current financial liabilities	671	425
TOTAL FINANCIAL LIABILITIES, CURRENT	**64'486**	**66'339**
Bank loans, non-current	47'702	65'044
Other non-current financial liabilities	1'850	-
TOTAL FINANCIAL LIABILITIES, NON-CURRENT	**49'552**	**65'044**
TOTAL FINANCIAL LIABILITIES	**114'038**	**131'383**
Total secured bank loans	16'494	16'312
Total non-secured bank loans	94'984	114'646

* In 2021, "Bank loans and credit facilities, current" include Euro 38'572 thousand (Euro 36'553 thousand in 2020) related to credit lines with no maturity date.

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 0.80% and 1.05%.

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-organizations.

As of December 31, 2021 and 2020, the Group had unused current credit lines of Euro 103'886 thousand and Euro 98'610 thousand, respectively.

The following table provide the breakdown of financial liabilities by currency:

(Thousand Euro)	31.12.2021	31.12.2020
Australian Dollar (AUD)	1'916	1'889
Euro (EUR)	6'220	10'000
Japanese Yen (JPY)	3'439	3'539
Swiss Franc (CHF)	33'588	91'964
US Dollar (USD)	68'875	23'991
TOTAL FINANCIAL LIABILITIES	**114'038**	**131'383**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Thousand Euro)	Non-current financial debts	Current financial debts	Total
BALANCE JANUARY 1, 2021	**65'044**	**66'339**	**131'383**
Increase in financial debts *	2'191	1'136	3'327
Repayment of financial debts **	(675)	(24'605)	(25'280)
Change in fair values and other changes	-	39	39
Reclass from non-current to current	(19'018)	19'018	-
Currency translation differences	2'010	2'559	4'569
BALANCE DECEMBER 31, 2021	**49'552**	**64'486**	**114'038**

* "Increase in financial debts" includes proceeds from borrowings amounting to Euro 846 thousand, Euro 2'261 thousand related to the acquisition of development intangible assets recognised as a non-cash increase in financial debts and Euro 220 thousand related to the acquisition of customer list (see Note 6.9 "Goodwill and intangible assets").
** "Repayment of financial debts" includes repayment of borrowings for Euro 24'801 thousand and Euro 479 thousand related to the repayment of contractual liabilities for the acquisition of development intangible assets classified in the Consolidated Statement of Cash Flow in "Purchase of intangible assets" within cash flow from investing activities.

(Thousand Euro)	Non-current financial debts	Current financial debts	Total
BALANCE JANUARY 1, 2020	**85'379**	**47'505**	**132'884**
Increase in financial debts *	-	4'464	4'464
Repayment of financial debts **	-	(4'820)	(4'820)
Change in fair values and other changes	-	-	-
Reclass from non-current to current	(20'949)	20'949	-
Currency translation differences	614	(1'759)	(1'145)
BALANCE DECEMBER 31, 2020	**65'044**	**66'339**	**131'383**

* "Increase in financial debts" includes proceeds from borrowings amounting to Euro 4'344 thousand and Euro 120 thousand related to the acquisition of development intangible assets recognised as a non-cash increase in financial debts.
** "Repayment of financial debts" includes repayment of borrowings for Euro 4'389 thousand and Euro 431 thousand related to the repayment of contractual liabilities for the acquisition of development intangible assets classified in the Consolidated Statement of Cash Flow in "Purchase of intangible assets" within cash flow from investing activities.

LEASE LIABILITIES

Total lease liabilities amount to Euro 21'184 thousand as of December 31, 2021 (Euro 19'043 thousand in 2020), thereof Euro 5'714 thousand current (Euro 5'401 thousand in 2020) and Euro 15'470 thousand non-current (Euro 13'642 thousand in 2020). Maturity analysis of undiscounted lease liabilities less unearned interests is reported in the table below:

as at December 31, 2021 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Less: unearned interests	Total
Lease liabilities	5'731	12'188	3'932	(667)	**21'184**

as at December 31, 2020 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Less: unearned interests	Total
Lease liabilities	5'558	11'292	2'880	(687)	**19'043**

The Group does not face a significant liquidity risk with regard to its lease liabilities.

The table below shows the movement of lease liabilities for the periods ended December 31, 2021 and December 31, 2020:

(Thousand Euro)	
BALANCE ON JANUARY 1, 2021	**(19'043)**
Additions	(7'421)
Modification, termination, expiration	(3)
Repayment of lease liabilities	6'015
Exchange differences	(732)
BALANCE ON DECEMBER 31, 2021	**(21'184)**

(Thousand Euro)	
BALANCE ON JANUARY 1, 2020	**(19'974)**
Additions	(5'305)
Modification, termination, expiration	4
Repayment of lease liabilities	5'981
Exchange differences	251
BALANCE ON DECEMBER 31, 2020	**(19'043)**

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 OTHER LIABILITIES

(Thousand Euro)	31.12.2021	31.12.2020
Liabilities to tax authorities	2'232	3'193
Legal matters	5'891	-
Other	-	4
TOTAL OTHER NON-CURRENT LIABILITIES	**8'123**	**3'197**
Liabilities to tax authorities	6'843	23'196
Liabilities to social security	1'684	833
Other debts towards employees	146	300
Legal matters	1'759	-
Other	570	-
TOTAL OTHER CURRENT LIABILITIES	**11'002**	**24'329**

"Legal matters" include the liability relating to the agreement signed with MicroPort to settle the litigation (see Note 6.25 "Litigations" paragraph "MicroPort matter"). As of December 31, 2021 the total liability is equal to Euro 7'650 thousand, out of which Euro 5'891 thousand classified as non-current and Euro 1'759 thousand classified as current.

6.19 PROVISIONS

Provisions are mainly related to pending legal claims and accruals for indemnity to agents. The movements are as follows:

(Thousand Euro)	2021	2020
BALANCE JANUARY 1	**9'636**	**11'183**
Increases	5'006	785
Decreases	(13'717)	(1'562)
Exchange differences	609	(770)
BALANCE DECEMBER 31	**1'534**	**9'636**
Thereof current	1'185	8'399
Thereof non-current	349	1'237

In 2021, "Increases" line item is primarily related to the accrual, amounting Euro 4'821 thousand, to align the provision already recognised in 2020 to the settlement agreement with MicroPort. In 2020 the increase was mainly related to the accrual made on patent litigations for Euro 663 thousand (see Note 6.25 "Litigations" paragraph "Conformis, Inc. v. Medacta USA, Inc.").

In 2021, "Decreases" line item includes the reclassification from "Provisions" to "Other liabilities" related to the MicroPort matter after the settlement agreement for Euro 13'572 thousand, out of which Euro 5'922 thousand were paid in 2021. In 2020 the decrease was mainly related to the release of Euro 1.5 million of the MicroPort matter provision recognised in 2019, due to the final award issued by the Arbitrator on April 27, 2020.

For further information related to MicroPort matter refer to Note 6.25 "Litigations" paragraph "MicroPort matter".

6.20 RETIREMENT BENEFIT OBLIGATIONS

DEFINED CONTRIBUTION PLANS

Medacta's retirement plans include defined contribution pension plans in most of the countries where the Group operates. The employer's contributions, amounting to Euro 3'682 thousand in the year ended December 31, 2021 (2020: Euro 3'295 thousand), are recognised directly in the income statement.

DEFINED BENEFIT PLANS

Medacta Group's retirement plans include defined benefit pension plans for all qualifying employees in Switzerland and Italy. These plans are determined by local regulations using independent actuarial valuations according to IAS 19. Medacta Group's major defined benefit plan is located in Switzerland.

The following table summarizes the total retirement benefit obligation at December 31, 2021 and 2020:

AMOUNT RECOGNISED IN THE BALANCE SHEET

(Thousand Euro)	31.12.2021	31.12.2020
Defined benefit plan Switzerland	8'926	10'107
Defined benefit plan Italy	388	387
Other non-current employee benefits		
Retention plan Switzerland	1'378	1'415
French collective conventions	303	255
Retention plan Australia	518	401
Retention plan Austria	69	68
Retention plan Japan	563	390
RETIREMENT BENEFIT OBLIGATIONS	**12'145**	**13'023**

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 plan of Medacta's Swiss companies is administered by a separate legal foundation, which is funded by regular employer and employee contributions defined in the pension fund rules. 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, 2021, 713 employees (2020: 620 employees) and 3 beneficiaries (2020: 2 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 19.1 years (2020: 20.7 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)	31.12.2021	31.12.2020
Present value of defined benefit obligations	(37'827)	(34'002)
Fair value of plan assets	28'901	23'895
RETIREMENT BENEFIT OBLIGATIONS	**(8'926)**	**(10'107)**

REMEASUREMENT RECOGNISED IN EQUITY

(Thousand Euro)	2021	2020
BALANCE JANUARY 1	**3'130**	**2'436**
Remeasurement of defined benefit obligations	(1'472)	1'017
Return on plan assets excl. interest income	(1'191)	(331)
Exchange differences	20	8
BALANCE DECEMBER 31	**487**	**3'130**

COMPONENTS OF REMEASUREMENT OF DEFINED BENEFIT PLANS RECOGNISED IN OCI

(Thousand Euro)	31.12.2021	31.12.2020
Changes in demogr. assumptions	(2'337)	-
Experience adjustments	865	1'017
Return on plan assets excl. interest income	(1'191)	(331)
REMEASUREMENT OF DEFINED BENEFIT PLANS	**(2'663)**	**686**

In 2021, "Changes in demographical assumptions" is due to the use of the most recent tables for demography actuarial assumptions (BVG 2020 GT).

"Experience adjustments", both in 2021 and in 2020, 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)	31.12.2021	31.12.2020
Current service cost	2'547	2'281
Participants' contributions	(1'465)	(1'380)
Administration cost	17	15
Net interest cost	21	18
TOTAL EMPLOYEE BENEFIT EXPENSES	**1'120**	**934**

The amounts recognised in the Consolidated Profit or Loss have been charged to:

- Cost of Sales Euro 422 thousand (2020: Euro 319 thousand);
- Research and Development Euro 146 thousand (2020: Euro 118 thousand);
- Sales and Marketing expenses Euro 235 thousand (2020: Euro 209 thousand);
- General and Administrative expenses Euro 297 thousand (2020: Euro 270 thousand).

MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

(Thousand Euro)	2021	2020
BALANCE JANUARY 1	**34'002**	**28'956**
Interest cost	72	63
Current service cost	2'547	2'281
Contribution by plan participants	1'368	1'296
Benefits deposited/(paid), net	(236)	256
Administration cost	17	15
Actuarial loss on obligation	(1'472)	1'017
Exchange differences	1'529	118
PRESENT VALUE OF OBLIGATIONS AT DECEMBER 31	**37'827**	**34'002**

PLAN ASSETS

Plan assets are composed of the retirement assets, the mathematical reserve for annuities and the account balances of the AXA-Winterthur:

PLAN ASSETS

(Thousand Euro)	31.12.2021	31.12.2020
Cash and cash equivalents	1'055	648
Equity instruments	10'060	7'240
Debt instruments (e.g. bonds)	10'277	9'914
Real estate	6'688	5'340
Others	821	753
TOTAL	**28'901**	**23'895**

MOVEMENT IN THE FAIR VALUE OF THE PLAN ASSETS

(Thousand Euro)	2021	2020
BALANCE JANUARY 1	**23'895**	**20'502**
Interest income on plan asset	51	45
Employer's contributions paid	1'465	1'380
Participants' contributions	1'368	1'296
Benefits deposited/(paid), net	(236)	256
Return on plan assets excluding interest income	1'191	332
Exchange differences	1'167	84
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**28'901**	**23'895**

The principal actuarial assumptions are as follows:

	31.12.2021	31.12.2020
Discount rate	0.2%	0.2%
Future salary increase	1.0%	1.0%
Interest rate on retirement saving capital *	0.5%	0.5%
Demography	BVG2020GT	BVG2015GT

* 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.

For the analysis, changes in the assumptions were considered separately and no interdependencies were taken into account.

SENSITIVITY ANALYSIS – DEFINED BENEFIT OBLIGATION

(Thousand Euro)	31.12.2021	31.12.2020
DISCOUNT RATE		
Discount rate + 0.25%	36'102	32'319
Discount rate - 0.25%	39'706	35'842
SALARY GROWTH		
Salary growth + 0.25%	38'232	34'391
Salary growth - 0.25%	37'435	33'621
INTEREST RATE GROWTH		
Interest rate growth + 0.25%	38'521	34'655
Interest rate growth - 0.25%	37'155	33'370
LIFE EXPECTANCY		
Life expectancy + 1 year	38'471	34'586
Life expectancy - 1 year	37'186	33'420

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2021 by AXA Pension Solutions 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 1.6 million to the defined benefit plans during the next financial year 2022.

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 increase in the 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

Medacta has programs in Switzerland, France, Australia, Austria and Japan which are dependent on length of years of service.

These programs are classified as other non-current payments due to employees and amounted to Euro 2'832 thousand at December 31, 2021 (2020: Euro 2'529 thousand).

6.21 SHARE-BASED PAYMENT TRANSACTIONS

On March 30, 2021 Board of Directors approved the implementation of the LTIP proposed by the Remuneration Committee, under the Performance Share Plan ("The Plan"), that was 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 in 2021 is equal to Euro 468 thousand.

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

TOTAL AT JANUARY 1, 2021	**-**
Granted	20'810
Exercised	-
Forfeited	(584)
TOTAL AT DECEMBER 31, 2021	**20'226**
Exercisable at December 31, 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.

6.22 TRADE PAYABLES

Accounts payable of Euro 25'951 thousand (2020: Euro 16'477 thousand) mainly consist of commercial payables due within 12 months. The increase is primarily due to the increase of volumes and to the timing of payments by the Group.

6.23 ACCRUED EXPENSES AND DEFERRED INCOME

(Thousand Euro)	31.12.2021	31.12.2020
Consulting fees	3'995	3'964
Royalties and commissions due	6'115	4'628
Accrued vacation expenses	3'703	3'473
Accrued bonuses	12'317	9'439
Other	2'850	2'287
Assurances	75	70
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**29'055**	**23'861**

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, 2021 and 2020 respectively:

(Thousand Euro)	31.12.2021	31.12.2020
Hip	179'285	153'063
Knee	131'062	106'238
Shoulder	18'424	13'919
Spine	33'792	28'910
Sportsmed	563	362
TOTAL	**363'126**	**302'492**

6.24.2 ANALYSIS OF EXPENSES

PERSONNEL EXPENSES

Personnel expenses as of December 31, 2021 and 2020 are as follows:

(Thousand Euro)	31.12.2021	31.12.2020
Wages and salaries	93'568	83'125
LTIP Employee benefit expense	468	
Social security costs	11'311	10'459
Other costs	9'020	5'381
TOTAL PERSONNEL EXPENSES	**114'367**	**98'965**

The recognition of the personnel expenses by function is as follows:

PERSONNEL EXPENSES BY FUNCTION

(Thousand Euro)	31.12.2021	31.12.2020
Cost of Sales	15'908	13'466
Research and Development expenses	3'958	2'616
Sales and Marketing expenses	63'799	56'031
General and Administrative expenses	30'702	26'852
TOTAL PERSONNEL EXPENSES BY FUNCTION	**114'367**	**98'965**
AVERAGE NR OF EMPLOYEES DURING THE YEAR	**1'262**	**1'142**

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, the Group recognised those government grants in the Consolidated Profit or Loss as of December 31, 2021 (and in the comparative figures as of December 31, 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. In 2021 the total amount of government grants recognised in the Consolidated Profit or Loss was Euro 99 thousand, while as of December 31, 2020, in the first stage of the pandemic, amounted to Euro 2'879 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 December 31, 2021: Sales and Marketing expenses for Euro 81 thousand, General and Administrative expenses for Euro 18 thousand (2020: Cost of Sales Euro 325 thousand, Research and Development expenses Euro 178 thousand, Sales and Marketing expenses Euro 1'652 thousand, General and Administrative expenses Euro 724 thousand).

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, Amortisation and Impairment, at December 31, 2021 and 2020 are as follows:

(Thousand Euro)	31.12.2021	31.12.2020
Cost of Sales	27'567	26'465
Research and Development expenses	5'162	3'254
Sales and Marketing expenses	3'536	3'307
General and Administrative expenses	4'171	3'990
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT BY FUNCTION	**40'436**	**37'016**

Impairment included in line Research and Development is equal to Euro 397 thousand. 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, 2021 and 2020 are composed of the following expense categories:

(Thousand Euro)	31.12.2021	31.12.2020
Personnel expenses	30'702	26'852
Depreciation and amortisation	4'171	3'990
Consulting expenses	9'930	8'557
Business and administrative expenses (i.e. insurance, maintenance, BoD and audit fees)	6'959	6'367
Other costs and taxes	6'687	1'002
Travel and accommodation	308	611
Other	87	93
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE	**58'844**	**47'472**

In 2020, "Personnel expenses" included grants received by Governments (mainly Swiss, France, Australia, UK) for Euro 724 thousand to provide assistance to the Group's entities to fund short-term working.

In 2021 "Consulting expenses" include: approximately Euro 3'428 thousand (Euro 3'475 thousand in 2020) of legal expenses, out of which Euro 2'966 thousand (Euro 3'100 thousand in 2020) related to MicroPort and patent matters, and Euro 6'502 thousand (Euro 5'082 thousand in 2020) related to clinical studies, IT, Audit, Tax and other consulting expenses.

In 2021 "Other costs and taxes" include the provision accrued for MicroPort matter for Euro 4'601 thousand after the settlement agreement (see Note 6.25 "Litigations") and Euro 340 thousand related to product liabilities provisions. In 2020 "Other costs and taxes" included the net impact, for Euro 840 thousand, related to the provision for patent litigation accrued in 2020 and the partial release of the provision accrued for MicroPort matter in 2019.

RESEARCH AND DEVELOPMENT EXPENSES

Medacta development activities mainly consist in designing and testing new products.

Research and Development costs that are not eligible for capitalization 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 2021 of Euro 11'306 thousand (Euro 6'829 thousand in 2020).

Development costs eligible for capitalization amounts to Euro 8'091 thousand in 2021 and Euro 7'800 thousand in 2020.

6.24.3 OTHER INCOME / (EXPENSES)

Other income amount to Euro 1'536 thousand as of December 31, 2021 (Euro 1'809 thousand in 2020) and are mainly related to miscellaneous expenses rebilled to third parties. In 2020, Other income included Euro 628 thousand related to the release of the parking provision recognised by Medacta International due to the 2020 decision made by the State Council of postponing the application of this law from 2022 onwards.

Other expenses amount to Euro 1'301 thousand as of December 31, 2021 (Euro 2'252 thousand in 2020). Other expenses include:

- Euro 516 thousand (Euro 1'119 thousand in 2020), related to losses from disposal of tangible assets;
- Euro 324 thousand (Euro 327 thousand in 2020), related to contributions made to non-profit organizations.

6.24.4 FINANCIAL INCOME/(COSTS)

FINANCIAL INCOME

(Thousand Euro)	31.12.2021	31.12.2020
Gain/(loss) on revaluation of financial instruments at fair value through profit or loss	-	1'047
Interest income loans and receivables	332	144
Foreign exchange gains	1'986	3'766
TOTAL FINANCIAL INCOME	**2'318**	**4'957**

Financial income amount to Euro 2'318 thousand as of December 31, 2021 (Euro 4'957 thousand in 2020). Financial income as of December 31, 2021 include realized and unrealized foreign exchange profit for Euro 1'986 thousand (Euro 3'766 thousand in 2020). In 2020 included also gains on revaluation of financial instruments at fair value for Euro 1'047 thousand.

FINANCIAL (COSTS)

(Thousand Euro)	31.12.2021	31.12.2020
Interest on loans and borrowings	(3'118)	(2'699)
Gain/(loss) on revaluation of financial instruments at fair value through profit or loss	(1'248)	-
Foreign exchange losses	(954)	(11'424)
Interest expense on lease contracts	(324)	(345)
TOTAL FINANCIAL (COSTS)	**(5'644)**	**(14'468)**
TOTAL FINANCIAL INCOME/(COSTS), NET	**(3'326)**	**(9'511)**

Financial costs amount to Euro 5'644 thousand as of December 31, 2021 (Euro 14'468 thousand in 2020). Financial costs as of December 31, 2021 includes mainly interest on borrowings for Euro 1'374 thousand (Euro 1'535 thousand in 2020), bank commissions and other interest expenses for Euro 1'744 thousand (Euro 1'164 thousand in 2020), losses on revaluation of financial instruments at fair value for Euro 1'248 thousand (financial income in 2020), realized and unrealized foreign exchange losses for Euro 954 thousand (Euro 11'424 thousand in 2020). In the previous period, foreign exchange losses were mainly related to transactions with Medacta USA Inc, out of which approximately Euro 4.4 million due to non-monetary transactions, mainly related to the increase in registered capital by USD 50 million through the forgiveness of trade and financial receivables held by the controlling Company, Medacta International SA, and the compensation of prior year receivables and payables.

6.25 LITIGATIONS

MICROPORT MATTER

ARBITRATION

In an arbitration (the "Arbitration"), commenced with the American Arbitration Association on or about July 30, 2018 in Memphis Tennessee, the Company was defending Advanced Surgical Devices ("ASD") and Mr. Zurowski pursuant to an indemnification agreement incident to an asset purchase agreement by which the Company acquired assets from ASD and as to which it has reserved its rights. Like Medacta, the claimant in the Arbitration, MicroPort Orthopedics, Inc. ("MicroPort"), is a manufacturer of medical devices. The respondent, ASD, led by its principal, Mr. Zurowski, is a company that sells and distributes medical devices. MicroPort's demand for arbitration alleged that ASD and Mr. Zurowski breached a separate asset purchase agreement, as well as a distribution agreement, between ASD and MicroPort by, among other things, terminating those agreements, according to MicroPort, without right. On April 27, 2020, the Arbitrator issued a "Final Award", which found ASD and Mr. 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 Mr. Zurowski.

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 alleged that Medacta USA tortuously interfered with the asset purchase agreement between MicroPort and a distributor of orthopaedic 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 alleged the same, previously voluntarily dismissed, claims that Medacta USA tortuously interfered with the asset purchase agreement between MicroPort and ASD. MicroPort also alleged anew that Medacta USA had infringed on certain patents owned by MicroPort. The patent infringement allegations appeared 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 added Medacta International as a defendant, and added allegation of infringement by a surgical approach that was 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, in 2021 Medacta USA paid to MicroPort Inc. the sum of USD 7 million and will pay 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 recognized a liability that fulfilled the settlement agreement. As of December 31, 2021, the residual liability is equal to USD 8.7 million (Euro 7.7 million) and is classified in "Other liabilities". According to the due dates of the payment provided by the settlement agreement, the portion classified in "Other current liabilities" is equal to Euro 1'759 thousand and the portion classified in "Other non-current liabilities" is equal to Euro 5'891 thousand.

The profit or loss accrual recognized in 2021 is equal to USD 5.4 million (Euro 4.6 million).

PATENT MATTERS

RSB SPINE, LLC V. MEDACTA USA, INC.

On December 13, 2018, RSB filed a patent infringement complaint alleging Medacta's MectaLIF Anterior Stand Alone – Flush implant infringes two patents directed to spinal implants. RSB is seeking monetary damages and a permanent injunction. 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. The district court entered its Markman opinion about the scope of the asserted patent, and the parties completed fact discovery in February 2022. The parties are currently engaging in expert discovery.

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

CONFORMIS, INC. V. MEDACTA USA, INC.

On August 29, 2019, Conformis filed a patent infringement complaint in the District of Delaware (USA) alleging that Medacta's MyKnee, MyHip, and MyShoulder products infringe four patents directed to spinal implants. Conformis is seeking monetary damages. Medacta's response to the complaint was filed on December 2, 2019, and as a result, the MyHip product has been dismissed from the case. Medacta believes the accused products do not infringe the patents-in-suit and that these patents are invalid. Conformis filed an amended complaint seeking to add Medacta International as a defendant. A motion to dismiss Medacta International is pending and will be decided by the Court at some point in the future. The parties have completed fact discovery and have exchanged expert reports. The parties recently agreed to revisit settlement discussions, but the case was not resolved. The parties have previously engaged in two rounds of mediation with the Magistrate Judge. The Court recently entered a new case schedule with the trial date being set for October 30, 2022.

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.

CONFORMIS, INC. V. MEDACTA INTERNATIONAL SA AND MEDACTA GERMANY GMBH

With complaint dated October 18, 2021, Conformis, Inc. filed a patent infringement complaint with the District of Düsseldorf (Germany) alleging that Medacta's MyKnee, MyHip, and MyShoulder products infringe the national German part of Conformis, Inc.'s European Patent No. 2 710 967. The complaint has been served on Medacta Germany GmbH, but so far has not been served on Medacta International SA. Thus, the law suit is, at the moment, pending only between Conformis, Inc. and Medacta Germany GmbH. It has to be expected that the complaint will also be served on Medacta International SA in the future. With the complaint, Conformis, Inc. is seeking claims to cease-and-desist from manufacturing, advertising and selling the MyKnee, MyHip, and MyShoulder products in Germany, claims to information regarding the production and sale of the products, claims to recall the products from the market and destruction of the products as well as a declaratory judgement for damages. Medacta Germany GmbH's response to the complaint was filed on January 31, 2022. Conformis, Inc. must comment on the reply to the complaint until April 28, 2022. Medacta Germany GmbH then has the possibility to submit observations until July 29, 2022. An oral hearing in the matter will take place on September 1, 2022. In the reply to the complaint, Medacta Germany GmbH requested that Conformis, Inc. shall provide security for the costs of the proceedings. The District Court of Düsseldorf has set a deadline for Conformis, Inc. to reply to the request. We have, so far, not received Conformis, Inc.'s reaction. The court will have to render a decision on the request to provide a security. In case the court orders Conformis, Inc. to provide security for the costs of the proceedings and Conformis, Inc. does not comply with such order, it will be possible to request that the court dismisses Conformis, Inc.'s action.

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

ALLEGED CRIMINAL OFFENSES UNDER GERMAN LAW

On March 28, 2019, German law enforcement officers served a search warrant to gather evidence concerning alleged criminal offenses under German law by various parties, including one of our expert independent physician consultants in Germany, the former CEO of a local clinic where our products are and were sold, the co-CEO of Medacta Germany GmbH in Göppingen, Germany ("Medacta Germany"), our CEO and representatives of various other public and private orthopaedic device supply companies in Germany. Specifically, the search warrants relate to allegations that the physician consultant unlawfully influenced or attempted to influence procurement decisions at the clinic in order to increase the purchase of orthopaedic products, including Medacta products, in exchange for payments received or promised, including from Medacta.

On August 2, 2019 was submitted to the public prosecutor's office in Neuruppin a request to discontinue the proceedings pursuant to § 170 ara. 2 StPO. After the public prosecutor's office had granted supplementary access to the files at the end of 2019, but no additional statement was submitted due to the few new findings, access to the files was granted again in December 2020. This includes an initial evaluation by the police of the e-mails and documents that were seized during the searches of the German chief physician and Medacta.

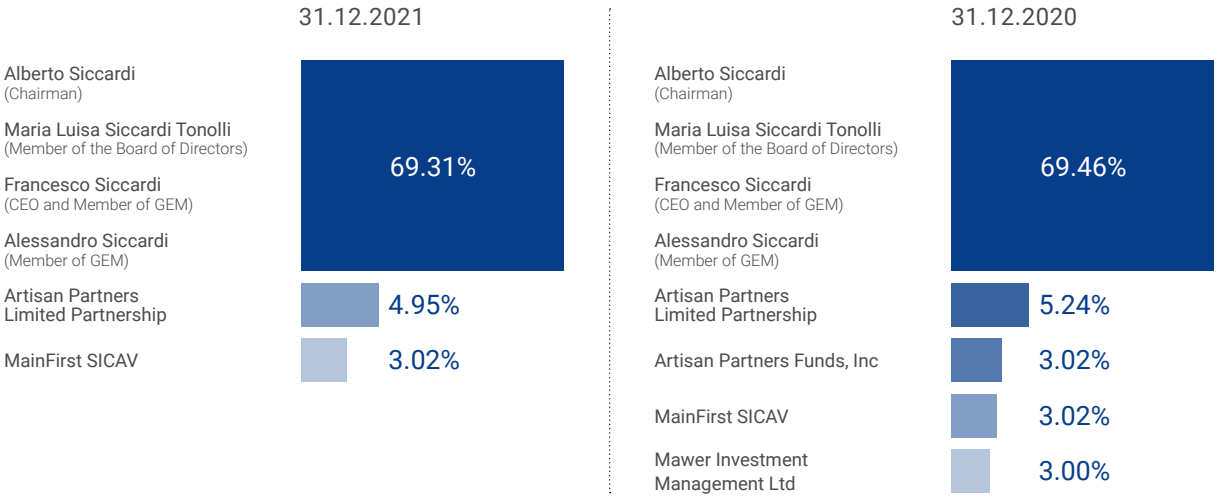
In August 2021, we have submitted to the public prosecutor's office in Neuruppin a new statement, with the purpose to correct the police suspicions regarding the e-mails and documents and to request to discontinue the proceedings pursuant to § 170 ara. 2.

Together with others, the German public prosecutor's office has decided to discontinue the proceedings (Discontinuation under section § 170 para. 2 StPO) against Medacta, Messrs. Francesco Siccardi and Jörg Häfner.

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 2021 Medacta International made contributions to Medacta for Life Foundation for Euro 324 thousand (Euro 327 thousand in 2020), 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 year 2021 are recognised in the General and Administrative expense line item for an amount equal to Euro 40 thousand (in 2020 Euro 78 thousand).

Dr. Alberto Siccardi, Chairman of the Board of Directors of Medacta Group SA, on October 18, 2021 and October 19, 2021 sold respectively 10'348 and 4'587 share units. Mr. Francesco Siccardi, CEO of Medacta Group SA, on October 18, 2021 and October 19, 2021 sold respectively 10'852 and 4'810 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)	31.12.2021	31.12.2020
Fees, salaries and other short-term benefits	2'748	2'698
Compensation cuts *	-	(982)
Post-employment pension and medical benefits	279	165
Share-based payments	71	
TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL	**3'098**	**1'881**

* As communicated with Ad-hoc release dated April 17, 2020, to soften the economic impact of the Coronavirus pandemic, the Board Members and the Group Executive Management decided to reduce their 2020 compensation. Our CEO, Ing. Francesco Siccardi and our Founder and Chairman of the Board, Dr. Alberto Siccardi decided voluntary, to reduce their 2020 total compensation by 50%, while all the other Members reduced their total compensation by 20%.

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 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.

	31.12.2021	31.12.2020
Net profit attributable to shareholders (in Euro thousand)	51'521	37'091
Weighted average number of ordinary shares outstanding	19'996'308	20'000'000
BASIC EARNINGS PER SHARE (in Euro)	**2.58**	**1.85**

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

(Thousand Euro)	31.12.2021	31.12.2020
Net profit used to determine diluted earnings per share (in Euro thousand)	51'521	37'091
Weighted average number of ordinary shares outstanding	19'996'308	20'000'000
Adjustments for performance stock units issued	7'966	-
Weighted average number of ordinary shares for diluted earnings per share	20'004'274	20'000'000
DILUTED EARNINGS PER SHARE (in Euro)	**2.58**	**1.85**

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, 2021, contracted purchase commitments, mainly relating the acquisition of instruments, for a total amount of Euro 16.8 million (Euro 8.3 million in 2020).

As of December 31, 2021, tangible fixed assets for a total amount of Euro 16'494 thousand (2020: Euro 16'312 thousand) have been pledged as collateral for borrowing facilities.

The Group as of December 31, 2021 and 2020 had unused current credit lines of Euro 103'886 thousand and Euro 98'610 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, 2021.

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 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	
	2021	2020	31.12.2021	31.12.2020
CHF	0.9253	0.9344	0.9643	0.9253
GBP	1.1638	1.1246	1.1901	1.1189
AUD	0.6350	0.6043	0.6387	0.6298
USD	0.8460	0.8759	0.8797	0.8188
JPY	0.0077	0.0082	0.0076	0.0079
CAD	0.6749	0.6538	0.6960	0.6433

7. AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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Statutory Auditor's Report

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 and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 108 to 161) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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.

Our Audit Approach

Summary	
Key audit matters	Based on our audit scoping, we identified the following key audit matters: - Capitalisation and measurement of development projects - Existence of inventory - Existence of instruments
Materiality	Based on our professional judgement, we determined materiality for the Group as a whole to be EUR 3.6 million.
Scoping	We defined 6 components operations in 5 countries to be in scope for group reporting purposes. Coverage ratio on group revenue, group total assets, and group profit before tax are disclosed below.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 52 million (2020: EUR 49 million), including development projects capitalised at 31 December 2021 amounting to EUR 36 million (2020: EUR 32 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 the reporting date, are amortised over the useful life of the related products. Projects which are still in early phases of development as of the reporting 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.	We gained an understanding of the key controls relevant to the development projects process, and the impairment process. We performed tests 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. In addition, we checked whether a sample of costs was eligible for capitalization and whether the amounts were capitalised accurately, verifying the supporting evidence such as invoices from suppliers and internal hours.

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 IFRS. 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 the 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 our audit.	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 challenging the WACC applied. In addition, we have challenged the Group's judgements and assumptions used in its impairment model and have tested the historical accuracy of the judgements and assumptions used for the 2021 consolidated financial statements. 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 risk of capitalisation and measurement of development projects.

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 136 million as of 31 December 2021 (2020: EUR 114 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 high level of the inventory balance 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 also gained an understanding of the of the key controls relating to the existence of inventory. We have performed physical inventory counts for items selected through statistical sampling methods. Our work was performed in Switzerland, France, Germany and USA. This work covered also 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 consolidated financial statements (Notes 6.12). Based on the procedures performed, we obtained sufficient audit evidence to address the risk of the existence of inventory.

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 155 million as at 31 December 2021 (2020: EUR 132 million), including instruments for a net balance of EUR 88 million (2020: EUR 73 million). The instruments are held in warehouses and at Medacta's customers premises to ensure continuity of supply. Given the high level of the instruments balance 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 also gained an understanding of the key controls relating to the existence of instruments. We have performed physical instruments counts for items selected through statistical sampling methods. Our work was performed in Switzerland, France, Germany, and 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 (Notes 6.7). Based on the procedures performed, we obtained sufficient audit evidence to address the risk of the existence of instruments.

Our application of materiality

We define materiality as the magnitude of misstatement in the 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.

Based on our professional judgement we determined materiality for the Group to be EUR 3.6 million (EUR 2.4 million in prior year), which is 6.5% of profit before taxes (6% of profit before taxes in prior year), and 1.6% of equity (1.5% 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 0.180 million (EUR 0.120 million in prior year), 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 financial statements. Our audit work at the components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality and ranged from EUR 0.360 million to EUR 2.430 million (from EUR 0.240 million to EUR 1.584 million in prior year).

An overview of the scope of our audit

The scope of our Group audit was defined 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 6 components. 3 of these were subject to a full audit, whilst the remaining 3 were subject to an audit of specified account balances for which the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations for those components. These 6 components represent the principal business units and account for 95% of the Group's total assets (94% in prior year), 76% of the Group's revenue (81% in prior year) and 92% of the Group's profit before tax (92% in prior year). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

At the parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report 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.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies.This description forms part of our auditor's report.

Deloitte.

Medacta Group SA
Statutory Auditor's Report
for the year ended
31 December 2021

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of 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, 10 March 2022
FLU/MCA/jba

8. STATUTORY FINANCIAL STATEMENTS MEDACTA GROUP SA, CASTEL SAN PIETRO

BALANCE SHEET

ASSETS

(Swiss Francs)	Notes	31.12.2021	31.12.2020
Cash and cash equivalents		705'642	215'001
Short-Term receivables towards group companies	8.3.1	3'023'871	3'598'609
Accrued income and prepaid expenses	8.3.2	16'035'728	530'832
TOTAL CURRENT ASSETS		**19'765'241**	**4'344'442**
Investment in subsidiaries	8.3.3	135'510'490	135'510'490
Long-Term loans towards group companies	8.3.4	46'750'000	46'750'000
TOTAL NON-CURRENT ASSETS		**182'260'490**	**182'260'490**
TOTAL ASSETS		**202'025'731**	**186'604'932**

LIABILITIES AND EQUITY

(Swiss Francs)	Notes	31.12.2021	31.12.2020
Account payables		346'210	383'400
Deferred income and accrued expenses		1'697'559	604'429
Other current liabilities		143'293	181'677
TOTAL CURRENT LIABILITIES		**2'187'062**	**1'169'506**
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	23'520'000	23'520'000
General legal reserve from earnings		1'000'000	1'000'000
Treasury Shares reserve	8.3.7	(1'342'660)	
Retained earnings brought forward		27'915'426	27'602'790
Profit of the year		15'745'903	312'636
TOTAL SHAREHOLDER'S EQUITY		**199'838'669**	**185'435'426**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**202'025'731**	**186'604'932**

INCOME STATEMENT

(Swiss Francs)	Notes	31.12.2021	31.12.2020
Dividend income	8.3.8	16'000'000	500'000
Interest Income		467'500	434'713
Other Revenues	8.3.9	3'552'071	2'396'505
TOTAL REVENUE		**20'019'571**	**3'331'218**
Personnel costs		(3'378'158)	(2'006'387)
Legal and administrative expenses	8.3.10	(689'145)	(851'187)
Other expenses		(46'296)	(42'142)
TOTAL OPERATING COSTS		**(4'113'599)**	**(2'899'716)**
OPERATING PROFIT		**15'905'972**	**431'502**
Other financial costs		(5'039)	(4'366)
TOTAL FINANCIAL INCOME / (COSTS)		**(5'039)**	**(4'366)**
PROFIT BEFORE TAXES		**15'900'933**	**427'136**
Taxes	8.3.11	(155'030)	(114'500)
PROFIT OF THE PERIOD		**15'745'903**	**312'636**

NOTES

8.1 GENERAL INFORMATION

Medacta Group SA (the "Company") has been registered in the Commercial Register of the Canton Ticino, Switzerland since November 30, 2018, with legal office in Castel San Pietro and with a share capital of CHF 2'000'000. The 2021 Medacta Group SA Profit or Loss recognizes the full year of transactions, from January 1, 2021 to December 31, 2021. The company went public on April 4, 2019 and is listed at the SIX Swiss Stock Exchange.

The activity of the Company is to indirectly or directly acquire, hold and manage investments in domestic and foreign companies, in particular controlling investments in industrial and trading companies active in the field of orthopaedics, the management and sustainable development of these investment companies within a group of companies as well as the provision of financial and organizational means for the management of a group of companies. The Company may acquire, mortgage, utilize and sell real estate properties and intellectual property rights in Switzerland and abroad as well as incorporate and finance subsidiaries and branches. The Company may engage in all kinds of commercial and financial transactions that are beneficial for the realisation of its purpose, in particular provide and receive loans, issue bonds, provide suretyships and guarantees, provide collateral as well as make investments in all marketable investment classes.

Medacta Group SA, controlling company of Medacta Group, prepares Consolidated Financial Statements for the Group 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.

Furthermore, as the Company issues a Consolidated Financial Statement under IFRS, the Company is and will be exempt from additional disclosure requirements for larger companies in accordance with Art. 961d para 1 CO.

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 exchange rate prevailing at the balance sheet date.

During the year, the transactions in foreign currencies are translated into Swiss Francs at the exchange rate prevailing in the day of the transaction.

Unrealized foreign exchange gains are deferred in the Balance Sheet whereas unrealized foreign exchange losses are recognized in the Income Statement. Realized foreign exchange gains and losses are recorded in the Income Statement.

RELATED PARTIES
Related parties include direct and indirect subsidiaries, associated and controlled companies and the Members of the Board of Directors as well as the Shareholders of the Company. All transactions with those related parties are carried out at market conditions (at arm's length principle).

INVESTMENT IN SUBSIDIARIES
The investment in subsidiaries is evaluated at acquisition costs, adjusted for impairment losses if any.

TAXES
Taxes are accrued for on the basis of the annual profit and the taxable capital at the balance sheet date.

INCOME AND COSTS
The income and costs are recorded in accordance with the economic competence.

The dividends of the fiscal period have been recorded according to the principle of simultaneous registration of dividends.

Furthermore, the principles of realization, of prudence, of imparity and of continuity are applied.

USE OF ESTIMATES AND JUDGEMENTS BY THE MANAGEMENT
The annual Financial Statements prepared in conformity with the Swiss Code of Obligations (CO) require 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). Being the case of estimates, the relevant effects, when they occur, could differ from such estimates and expectations.

The main Financial Statements positions based on estimates and assumptions by the management 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
The Company has short-term receivables towards Medacta International SA for CHF 3'023'871.

8.3.2 ACCRUED INCOME AND PREPAID EXPENSES
This position includes dividend from Medacta Holding SA for CHF 16'000'000 related to the result of the year 2021 (simultaneous registration of dividend) and insurance prepaid expenses.

8.3.3 INVESTMENT IN SUBSIDIARIES
The investment in subsidiaries consist of:

- Direct investment in subsidiaries:

Company	% of shares held December 2021 and 2020	Registered office	Country	Share Capital	31.12.2021
Medacta Holding S.A.	100%	Castel San Pietro	Switzerland	1'026'010 CHF	135'510'490 CHF

- Indirect investment in subsidiaries:

Company	% of shares held December 2021	% of shares held December 2020	Registered office	Country	Registered Capital
Medacta International SA	100%	100%	Castel San Pietro	Switzerland	1'000'000 CHF
Medacta Australia PTY Ltd	100%	100%	Lane Cove	Australia	4 AUD
Medacta Austria GmbH	100%	100%	Eugendorf	Austria	35'000 EUR
Medacta Belgium S.r.l.*	100%	100%	Nivelles	Belgium	2'018'550 EUR
Medacta Canada Inc.	100%	100%	Kitchener	Canada	100 CAD
Medacta España S.L.	100%	100%	Burjassot	Spain	3'000 EUR
Medacta France SAS	100%	100%	Villeneuve La Garenne	France	37'000 EUR
Medacta Germany GmbH	100%	100%	Göppingen	Germany	25'000 EUR
Medacta Italia S.r.l.	100%	100%	Milan	Italy	2'600'000 EUR
Medacta Japan Co. Ltd	100%	100%	Tokyo	Japan	25'000'000 JPY
Medacta UK Ltd	100%	100%	Hinckley	UK	29'994 GBP
Medacta USA Inc.	100%	100%	Franklin - Tennessee	USA	50'050'000 USD

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

The 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

This position refers to the interest-bearing loan towards Medacta International SA. No changes during 2021.

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

No changes into the financial year 2021. The 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 that these cash contributions can be recognized 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

In 2021 the Company purchased 10'007 own shares for an average price of CHF 134.17. 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" in the Financial Report of the Annual Report 2021.

8.3.8 DIVIDEND INCOME

Dividend income accrued as of December 31, 2021 for CHF 16'000'000 refers to the 2021 dividend from the subsidiary Medacta Holding SA (simultaneous registration of dividend). Dividend accrued as of December 31, 2021 has not been cashed in as of the balance sheet date. The 2020 dividend income for CHF 500'000 was settled by Medacta Holding SA in May 2021.

8.3.9 OTHER REVENUES

Other revenues equal to CHF 3'552'071 as of December 31, 2021 (CHF 2'396'505 in 2020), relates to the re-billing to Group's subsidiaries for an amount of CHF 3'547'363 (CHF 2'392'841 in 2020), which include payroll, general and administrative expenses to ensure that the costs will be incurred to the relevant parties following the accuracy assertion.

8.3.10 LEGAL AND ADMINISTRATIVE EXPENSES

2021 audit fees of the standalone and Consolidated Financial Statements amount to CHF 307'650 (CHF 390'583 in 2020). Fiscal, legal and administrative fees are equal to CHF 381'495 (CHF 460'604 in 2020).

8.3.11 TAXES

The Company is subject to direct taxes on profit and capital. Taxes as of December 31, 2021, amounts to CHF 155'030 (CHF 114'500 in 2020) out of which CHF 130'957 relates to capital tax and CHF 24'073 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 2021 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 RESIDUAL AMOUNT OF LIABILITIES RESULTING FROM LEASE COMMITMENTS

The Company has no leasing contracts in force.

8.4.4 LIABILITIES TOWARDS PENSION INSTITUTIONS

The Company has no liabilities towards pension institutions of as of December 31, 2021 and 2020.

8.4.5 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, 2021 the Company has letters of patronage in favour of banking institutions for an amount of CHF 107'500'000 (2020: CHF 113'500'000).

8.4.6 ASSETS USED TO SECURE OWN LIABILITIES

The company has not constituted pledges or collaterals on own assets to secure own liabilities.

8.4.7 CONTINGENT LIABILITIES

There are no contingent liabilities as at the balance sheet date.

8.4.8 SUBSCRIPTION OR OPTION RIGHTS

As of December 31, 2021, the Company neither owns nor has released subscription or option rights on its proper shares or on the shares of other group companies.

8.4.9 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, 2021.

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 19, 2022 a distribution of CHF 10'700'000 (CHF 0.54 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 take into account 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)	31.12.2021
Retained earnings to bring forward	27'915'426
Profit of the year	15'745'903
Change in reserves for treasury shares	(1'342'660)
AVAILABLE RETAINED EARNINGS	**42'318'669**
DISTRIBUTION OF PROFIT	
Dividend paid out of the available earnings *	(5'350'000)
Allocation to general reserves	-
Allocation to other reserves	-
AVAILABLE RETAINED EARNINGS	**36'968'669**

* Depends on the number of dividend-entitled shares, max. 19'989'993 shares, as of December 31, 2021. The own shares held by Medacta Group SA are not entitled to the distribution of dividends.

8.7 PROPOSED APPROPRIATION OF RESERVES FORM CAPITAL CONTRIBUTION

The Board of Directors proposes the following appropriation of reserves from capital contribution

(Swiss Francs)	31.12.2021
RESERVE FROM CAPITAL CONTRIBUTION	
BALANCE JANUARY 1, 2021	**23'520'000**
Distribution of reserves from capital contribution in 2020	-
BALANCE DECEMBER 31, 2021	**23'520'000**
Proposed distribution of reserves from capital contribution in 2021 *	(5'350'000)
BALANCE TO BE CARRIED FORWARD	**18'170'000**

* 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

Deloitte.

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Statutory Auditor's Report

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, which comprise the balance sheet as at 31 December 2021, and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 169 to 174) as at 31 December 2021 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 Auditing Standards. 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 entity 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, 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.

Valuation of Investments and Loans

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 standalone financial statements, investments in and loans to subsidiaries amount to CHF 182 million (2020: CHF 182 million), or 90% of total assets as at 31 December 2021. The Company assesses the valuation of its investments and loans and determines potential impairments indicators on an individual basis, in accordance with the Swiss Code of Obligations. Due to the significance of the carrying amount of the investments and loans, and due to the judgement involved in the determination of potential impairments, this matter was considered a key audit matter in our audit.	We have assessed the appropriateness of the Company's accounting policy for the valuation of investments and loans. We gained an understanding of the key controls in connection with the valuation of investments and loans. We challenged the assessment of impairment indicators made by the Company. We compared the carrying amount of the investments with the equity balances of the relevant entities. We challenged the recoverability of the loans given by the Company to subsidiaries. We assessed the adequacy and completeness of the related disclosures in Notes 8.3.3 and 8.3.4 to the standalone financial statements. Based on the procedures performed, we obtained sufficient audit evidence to address the risk of the valuation of investments and loans.

Responsibility of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further 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, 10 March 2022
FLU/MCA/jba

AUGMENTED REALITY SURGICAL PLATFORM

An innovative solution that features advanced planning tools, revolutionary tracking system, and augmented reality to potentially improve surgery accuracy and efficiency, with low upfront capital investment and cost per case compared to other technologies.

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.

Medacta International

ADDITIONAL INFORMATION FOR INVESTORS

FINANCIAL CALENDAR

MAY 19
2022

ANNUAL
GENERAL MEETING

JULY 15
2022

PUBLICATION OF 2022
HALF-YEAR UNAUDITED
TOP-LINE FIGURES

SEPTEMBER 9
2022

PUBLICATION
OF 2022 HALF-YEAR
RESULTS

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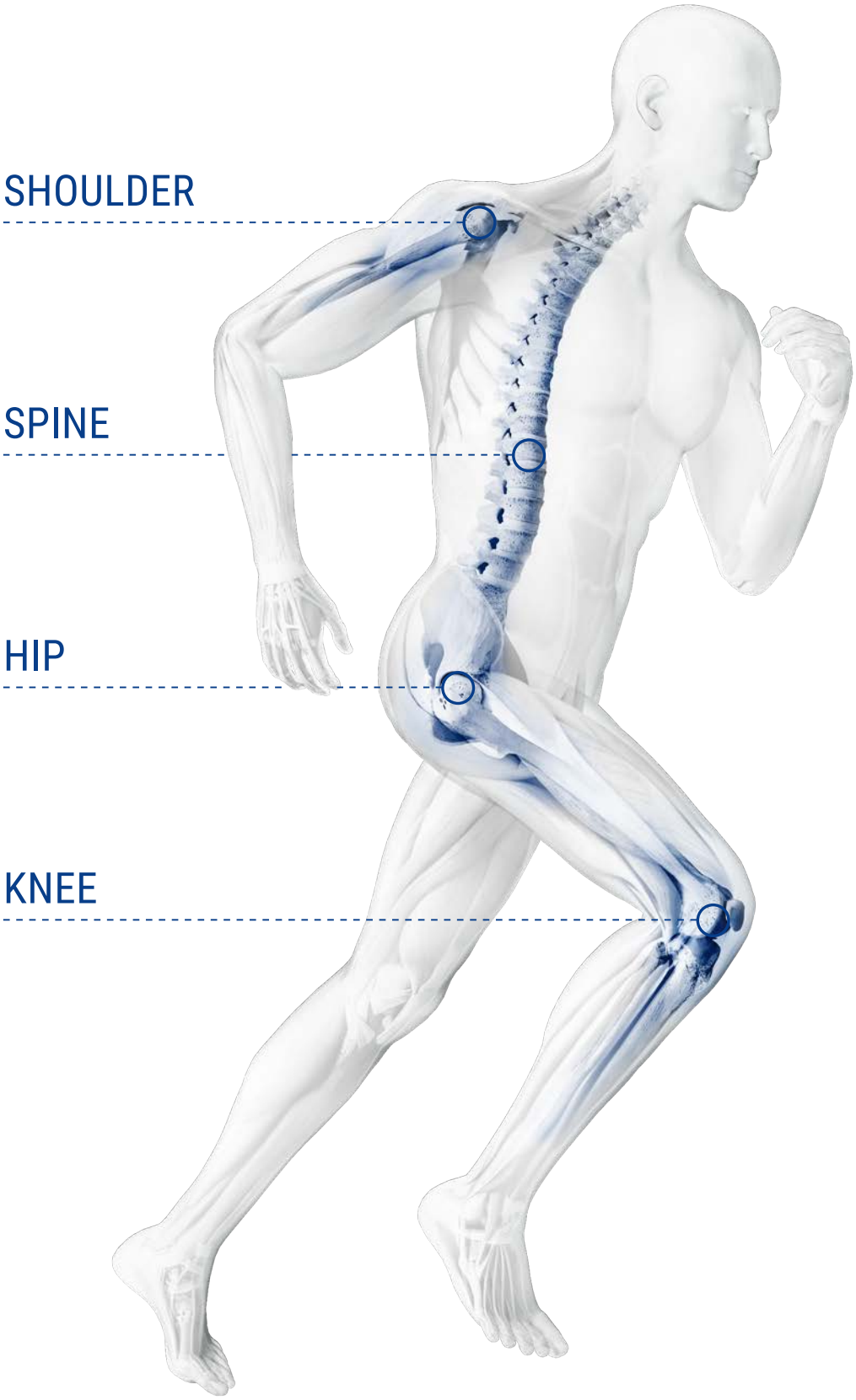
Discover more
www.medacta.com/EN/home-investors-global

FORWARD-LOOKING INFORMATION DISCLAIMER

This Annual 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.


SHOULDER
SPINE
HIP
KNEE

REDEFINING BETTER
IN ORTHOPAEDICS
AND SPINE SURGERY

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