Medacta International

ANNUAL REPORT 2022

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From minimally invasive surgery to

Personalized Medicine and beyond

Medacta International

MANAGEMENT REPORT

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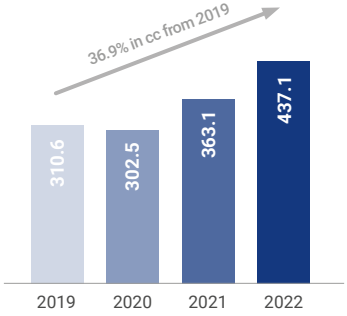
2022 KEY FIGURES

FINANCIAL FIGURES

REVENUES

EUR 437.1M

20.4% growth at reported currency (15.0% in cc[1])
36.9% growth in constant currency from 2019

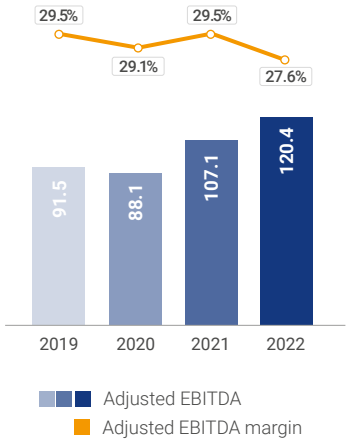


[1] Is calculated as the difference between the current and historical period results translated using the previous period exchange rates.

ADJUSTED EBITDA[2]

EUR 120.4M

27.6% Adjusted EBITDA margin[3]

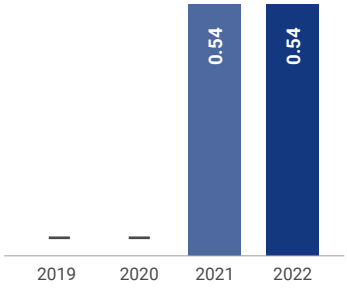


[2] Is calculated as EBITDA, adjusted for non-recurring items.

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

DISTRIBUTION DECLARED PER SHARE[4]

CHF 0.54



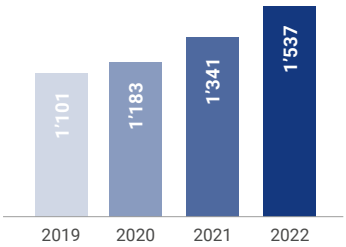
[4] Is calculated by dividing the total distribution declared equal to CHF 10.8M by the number of outstanding ordinary shares.

BUSINESS FIGURES

EMPLOYEES

1'537

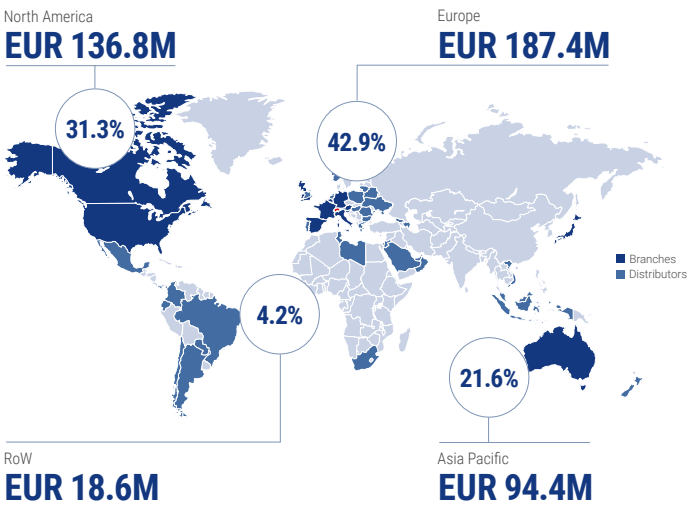
196 new jobs added in 2022



COUNTRY PRESENCE

53

8 new countries added in 2022



2022 HIGHLIGHTS*

- Medacta's 2022 revenue amounts to Euro 437.1 million, equal to 20.4% growth at reported currency, or 15.0% growth at constant currency from 2021;
- Adjusted EBITDA grew to Euro 120.4 million, corresponding to 27.6% margin (28.1% in constant currency);
- Profit for the year was equal to Euro 46.2 million, 10.6% on revenue;
- Adjusted Free Cash Flow at Euro 21.6 million;
- The Board of Directors is proposing a distribution of CHF 0.54 per share;
- Outlook FY 2023: We are targeting revenue in the range of Euro 480 million to Euro 495 million at constant currency, and Adjusted EBITDA Margin largely in line with 2022, subject to any unforeseen events.

REPORTED PERFORMANCE MEASURES

(Million Euro)	31.12.2022	31.12.2021
Revenues	437.1	363.1
Gross Profit	305.3	261.2
Profit for the year	46.2	51.5
Distribution proposal to the AGM (in million CHF)	10.8	10.7
Alternative Performance Measures:		
EBITDA	113.0	99.2
Adjusted EBITDA*	120.4	107.1
Adjusted EBITDA margin*	27.6%	29.5%
Free Cash Flow	8.4	2.0
Adjusted Free Cash Flow**	21.6	33.8

(Million Euro)		
Total Assets	584.5	489.3
Total Equity	274.7	226.4
Equity Ratio	47.0%	46.3%
Number of employees	1'537	1'341

* Adjusted in 2022 for provisions on litigations (Euro 2.5 million) and for the Italian payback (Euro 3.1 million), extraordinary legal expenses (Euro 1.2 million) and extraordinary MDR transition costs (Euro 0.6 million). The reconciliation is provided in the "Alternative Performance Measures" section of the Management Report.

** Adjusted in 2022 for extraordinary legal expenses (Euro 1.2 million), for the settlement of legal claims (Euro 5.1 million), MDR transition costs (Euro 0.6 million), non-recurring investments in Rancate offices (Euro 1.2 million) and in Castel San Pietro land (Euro 4.8 million) and Levante Medica asset deal (Euro 0.2 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 21. 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, 2022*	19'960'143
Nominal value per registered share (in CHF)	0.10
Number of treasury shares *as of December 31, 2022*	39'857

2022 DATA PER SHARE

(Swiss Francs)	**31.12.2022**
2022 High (in CHF)	147.60
2022 Low (in CHF)	76.70
Closing price (in CHF)	103.00
Market capitalization (in CHF billion)	2.1

2022 RELATIVE SHARE PRICE DEVELOPMENT

Index base 100 calculation
Source: Refinitiv

LETTER TO SHAREHOLDERS

Dear Shareholders,

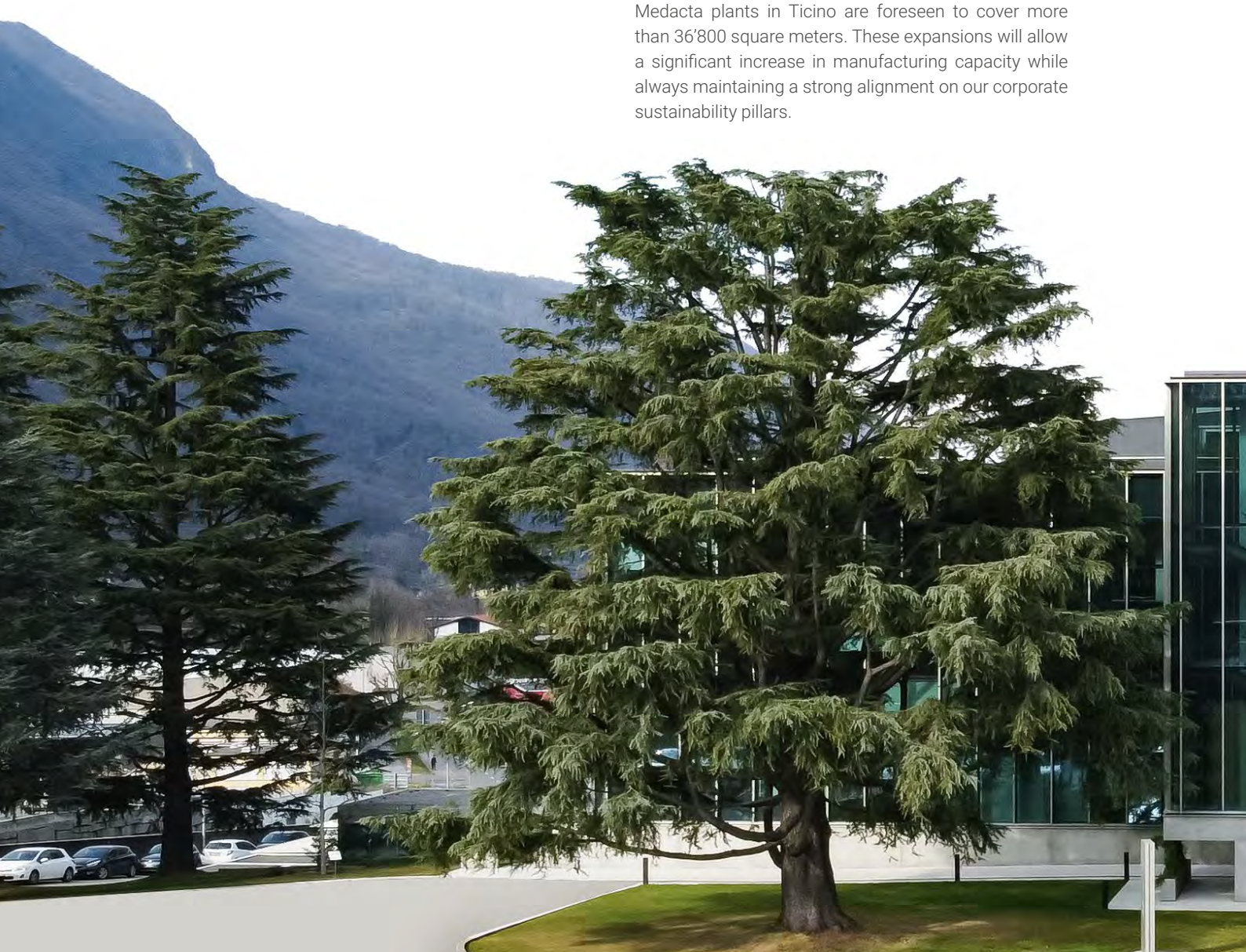
In a time where the world faces uncertainty in so many aspects of our society and global economy, Medacta has proven able to navigate these changes and adapt. In 2022 we continued gaining significant market share from our competitors, we secured our supply chain and expanded our salesforce across all geographies and business lines, supported by our Marketing and Medical Education Programs. While we expect that some macroeconomic challenges may persist in 2023, we remain positive and will continue to invest in our growth.

OUR ACHIEVEMENTS

In 2022, we celebrated an important milestone by surpassing 1'500 employees at Group level and close to 200 new jobs were added across all geographies, including significant salesforce expansion. We also made significant strategic investments on our infrastructure, in particular on May 18, 2022 we opened the doors of our new offices in Rancate.

With an expansion of 2'100 square meters supporting the creation of new jobs, the new building complements and works in complete synergy with the Castel San Pietro headquarters: two hubs of cutting-edge technology which continue to innovate responsibly for the benefit of patients, medical professionals, healthcare systems and the local community.

Management made strategic investments in strengthening our supply chain by increasing surgical instrument sets and implant stock to serve new customers, to cope with possible shortages and capture market opportunities. Also, we projected two major plant expansions at our Swiss headquarters to support our future growth. In Castel San Pietro, the production area will be expanded by about 5'300 square meters, bringing the total area to 15'300 square meters, with an increase of more than 50 percent in total area. The current 12'000 square meters in Rancate will be further expanded with a new area of about 9'500 square meters, with an increase of almost 80% in operational space. In total, Medacta plants in Ticino are foreseen to cover more than 36'800 square meters. These expansions will allow a significant increase in manufacturing capacity while always maintaining a strong alignment on our corporate sustainability pillars.



Innovation continued through all business lines. 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.

Within our MySolutions Personalized Ecosystem, NextAR Augmented Reality Surgical Platform has been launched globally including Japan in June 2022. In October 2022, the NextAR Spine application was awarded by the 2022 Spine Technology Award from Orthopedics This Week.

The NextAR platform is offered as a hardware system with limited capital investment and single use instrumentation at a low cost per case and offers the ability to host software for multiple applications in both joint and spine. The platform represents an optimal solution worldwide and particularly for US Ambulatory Surgery Centers (ASCs).

We continued our commitment to medical education of surgeons. Besides in-person scientific events, the M.O.R.E. Institute programs offered surgeons valuable online resources to deepen their knowledge and discover more about our solutions. We further expanded our network of reference center surgeons active worldwide across all our business lines.

STRONG GROWTH IN ALL REGIONS AND BUSINESS LINES*

In 2022, revenue increased 15.0% at constant currency and 20.4% on a reported currency over the prior year, at EUR 437.1 million, with positive contributions from all business lines and geographies. The growth was driven by significant customer acquisition, salesforce expansion, and successful new product introduction. Currency development had a positive impact with a tailwind of 5.4%, mainly due to the weakening of the Euro against the US Dollar, the Swiss Franc, and the Australian Dollar, only partially compensated by the Euro strengthening against the Japanese Yen. From 2019, revenue increased 36.9% at constant currency showing true growth beyond mere recovery.

In terms of trend by business line, revenue from our Hip products increased to EUR 203.6 million, or 9.2% on a constant currency basis; the good momentum was driven by the AMIS strategy and roll-out of new products in the revision segment. From 2019, Hip revenue grew 21.1% at constant currency. Revenue from our Knee offerings reached EUR 164.5 million, an increase of 18.4% on a constant currency basis; the growth was generated thanks to continued customer acquisition on Kinematic Alignment, Efficiency single-use instruments, the GMK Sphere platform and related MySolutions technologies. From 2019, Knee revenue increased 41.8% at constant currency. Our Extremities business line reported an increase in revenue of 38.8% on a constant currency basis to EUR 27.5 million; the growth was driven by the acquisition of new customers through the completeness of the Medacta Shoulder System, supported by MyShoulder and NextAR MySolutions technologies. From 2019, Extremities revenue increased 175.3% at constant currency. Revenue from our Spine offering grew by 19.2% on a constant currency basis to EUR 41.5 million, driven by the expansion of the MySpine Platform and NextAR Spine in the second semester. From 2019, Spine revenue increased 64.4% 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 17.6% on a constant currency basis to EUR 187.4 million. The growth was driven by customer acquisition, together with normalization of surgical activities. From 2019, revenue in Europe increased 34.4% at constant currency. Revenue in North America increased to EUR 136.8 million, or 11.5% on a constant currency basis, thanks to our customer acquisition, which was limited by the impact of Covid-19 and hospital staffing shortages, especially in the first months of the year. From 2019, revenue in North America increased 34.6% at constant currency. Revenue in Asia Pacific grew by 11.2% on a constant currency basis to EUR 94.4 million, mainly driven by the attainment of new customers in Japan. Australia was limited by significant longer than expected Covid impact, with recovery only in the last months of the year. From 2019, revenue in Asia Pacific increased 43.2% at constant currency. Revenue in RoW was EUR 18.6 million, a growth of 38.7% on a constant currency basis, mainly thanks to increased purchases from stocking distributors in Latin America. From 2019, revenue in RoW increased 48.9% at constant currency.

GROSS PROFIT PERFORMANCE *

The Gross Profit was EUR 305.3 million compared to EUR 261.2 million in the previous year. The Gross Profit margin was equal to 69.8% compared to 71.9% in 2021. This change was primarily due to temporary geographic mix effects caused by hospital staffing shortages and significant longer than expected Covid impacts that lowered the contribution of USA and Australia on total volumes. Also, we experienced negative impact from currency development and price erosion.

ADJUSTED EBITDA MARGIN *

The Adjusted EBITDA amounted to EUR 120.4 million (EUR 107.1 million in 2021), corresponding to a margin of 27.6% (28.1% in constant currency) compared to 29.5% in 2021. The change of margin reflects primarily the reduction in Gross Profit, the negative currency development and inflationary pressure on transports and travels, partially compensated by the leverage on fixed costs from higher sales volumes.

ADJUSTED EBIT MARGIN *

The Adjusted EBIT amounted to EUR 68.9 million, 15.8% on revenues, compared to EUR 66.7 million, 18.4% on revenues, in 2021. The change of margin was due to the reduction of EBITDA and higher depreciation and amortisation, primarily from investment in instruments to sustain the growth and to cope with supply chain disruption, and from material R&D projects completed in 2021.

PROFIT FOR THE YEAR

The profit for the year was EUR 46.2 million, compared to EUR 51.5 million in 2021 which benefitted from non-recurring positive effects on income taxes of approximately EUR 4.5 million and lower financial costs of EUR 3.3 million.

SOLID BALANCE SHEET

Medacta's balance sheet remains robust, with total assets increasing to EUR 584.5 million and an equity ratio of 47.0% at the end of the reporting period (46.3% in 2021). The Adjusted Free Cash Flow generated in 2022 amounted to EUR 21.6 million (EUR 33.8 million in 2021), after significant investments in new instruments and development to sustain the future growth of Medacta.

* **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 21. 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.

Francesco Siccardi Dr. Alberto Siccardi

PROPOSAL OF DISTRIBUTION

The Board of Directors, after assessing the strong economic and financial results of the year, decided to reward our shareholders through a distribution. Our Board Members are proposing to the Annual General Meeting the distribution of CHF 0.54 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 2023, we will continue to prioritize our future growth through a further expansion of our international salesforce. In addition, we remain committed on product innovation across all our business lines. We are targeting revenue in the range of EUR 480 million to EUR 495 million at constant currency, and Adjusted EBITDA Margin largely in line with 2022, subject to any unforeseen events.

THANKS

Our sincere thanks go to all our employees for their contribution to the success of Medacta, and to our customers, partners and shareholders, for their ongoing support and confidence in our strategy and vision.

Sincerely,

Dr. Alberto Siccardi
Chairman of the Board of Directors

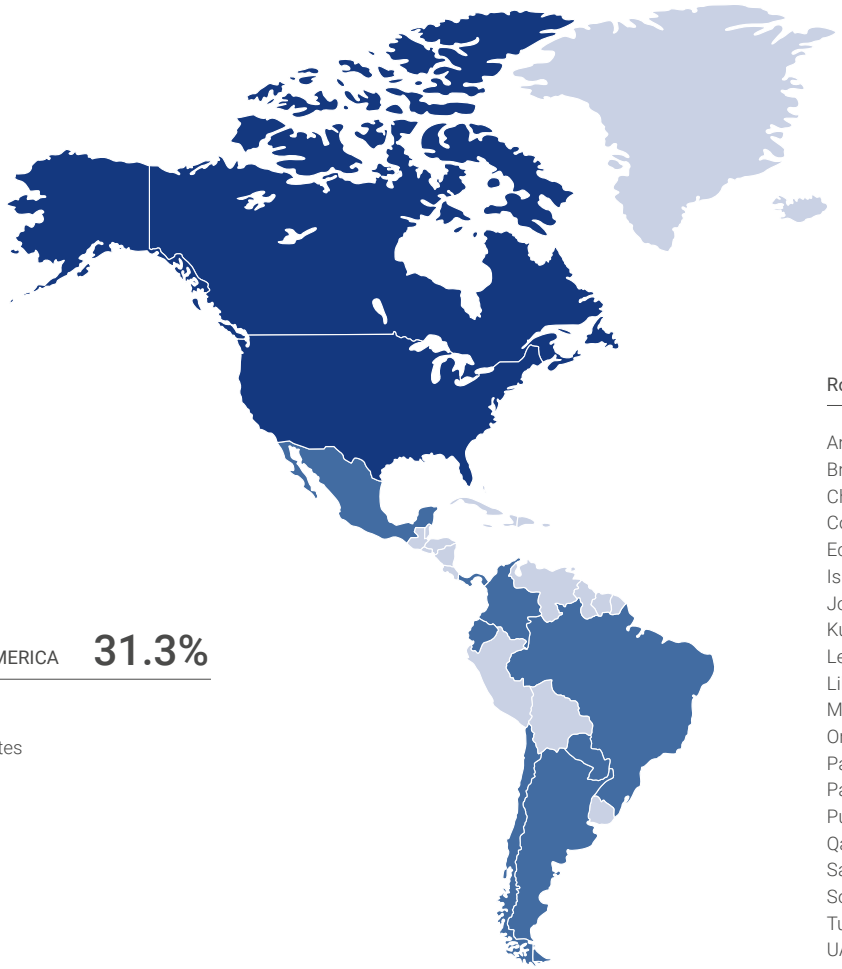
Francesco Siccardi
Chief Executive Officer

1. MANAGEMENT COMMENTARY*

CORPORATE INTRODUCTION

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

Today, our primary focus is on our high-volume Hip and Knee business lines (which generated 46.6% and 37.6%, respectively, of our reported revenue in 2022), complemented by our offerings in Shoulder, Spine and Sports Medicine ("Sportsmed") business lines. Our products and surgical techniques are supported by an extensive program of surgeon education and engagement initiatives, enabling our offerings to be used to the best advantage of both the patient and surgeon. All our products and surgical procedures are designed to improve patient well-being, facilitate the work of our surgeons and increase the sustainability of the healthcare system by improving efficiency while reducing healthcare costs. Our financial results confirm the validity of our business model and prove our success: in the year ending December 31, 2022 we achieved a 36.9% constant currency revenue growth from 2019, generating revenues amounting to Euro 437.1 million and an Adjusted EBITDA Margin of 27.6%, despite pandemic restrictions and hospital staffing shortages in some key markets.



NORTH AMERICA **31.3%**

Canada
United States

RoW **4.2%**

Argentina
Brazil
Chile
Colombia
Ecuador
Israel
Jordan
Kuwait
Lebanon
Libya
Mexico
Oman
Panama
Paraguay
Puerto Rico
Qatar
Saudi Arabia
South Africa
Tunisia
UAE

Branches
Distributors

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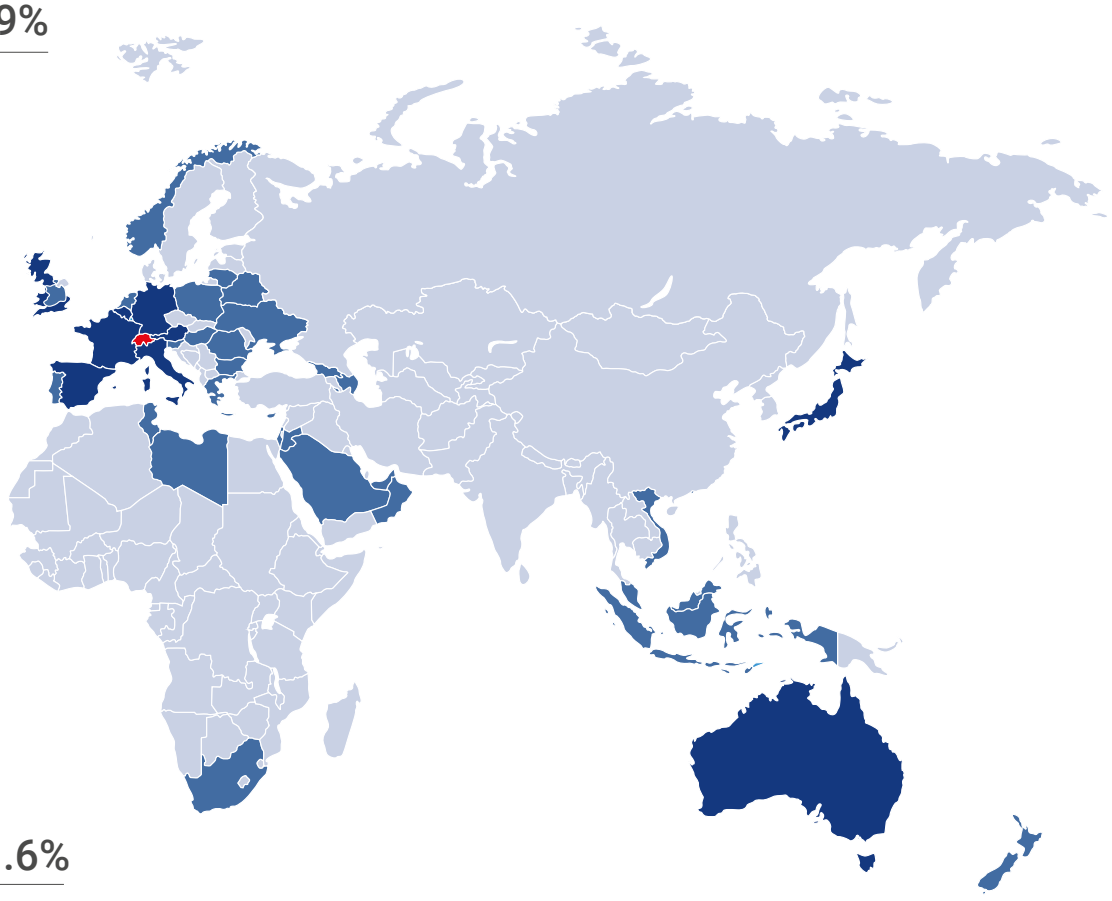
Our products and surgical techniques are characterized by innovation. We are a pioneer in developing new offerings on the basis of our minimally invasive surgical techniques, in particular our Anterior Minimally Invasive Surgery (AMIS) technique for hip replacements, which involves an anterior approach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

We believe that education is an indispensable tool for transforming innovation into concrete benefits for patients, surgeons and healthcare systems. For our surgeon customers, we have introduced a range of training and technical support initiatives through our M.O.R.E. Institute. Since its founding in 2004, the M.O.R.E. Institute has become a global education platform tailored to the needs of the individual surgeon, with courses addressing each of our business lines and no limit on the number of interactions that customers can benefit from. Also, we 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 manufacturing facilities are in Castel San Pietro and Rancate, Switzerland, where we have 837 employees in the aggregate as of December 31, 2022. Our sales organization operates in 12 countries through our local subsidiaries and we serve 41 additional countries through stocking distributors, allowing the Group to pursue its strategy in the attractive markets of Europe, North America and Asia Pacific, where we generated 42.9%, 31.3% and 21.6% of our revenue, respectively, for the year ending December 31, 2022. Our experienced salesforce enables us to achieve international adoption and deployment of our products and techniques.

EUROPE **42.9%**

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



ASIA PACIFIC **21.6%**

Australia
Indonesia
Japan
Malaysia
New Zealand
Taiwan
Vietnam

BUSINESS PERFORMANCE

EXECUTIVE OVERVIEW

Our 2022 performance was impacted by the macroeconomic environment which is experiencing increased inflationary pressures in part due to global supply chain disruptions and by pandemic restrictions and hospital staffing labor shortages in some key markets. Medacta, despite the geopolitical tensions and volatile economic conditions was able to adapt, delivering a strong top-line growth and a resilient marginality level. Significant customer acquisition, salesforce expansion and successful product introduction resulted in 15.0% revenue growth at constant currency (20.4% reported) in 2022, with positive contributions from all business lines and geographies. In the first part of the year, this strong performance was limited primarily by the impact of Covid-19 and hospital staffing shortages especially in US and Australia.

Profitability was heavily affected by inflationary pressures and currency exchange rates developments. Our 2022 Adjusted EBITDA Margin decreased by 190 basis points from 29.5% in 2021 to 27.6% in 2022. The weakening of EUR against CHF and USD reduced our marginality by 50 basis points (Adjusted EBITDA Margin in constant currency was equal to 28.1%). Also, the remaining reduction in performance reflects primarily the reduction in Gross Profit due to negative price erosion and geographic mix and inflationary pressure on transportation and travel costs, all partially compensated by the leverage on fixed costs from higher sales volumes. The 2022 Adjusted Free Cash Flow amounted to Euro 21.6 million, 36.0% lower than 2021 mainly due to the material increase in investing activities on instruments to sustain the Group's growth. Based on the performance achieved in 2022, 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 performance. While some macroeconomic challenges may persist in 2023, we remain positive and will continue to invest in our people, products and cultural values to maintain this momentum of record-level results.

SALES VOLUME, PRICING AND GEOGRAPHICAL MIX

Our revenue increased by Euro 74.0 million, or 20.4%, from Euro 363.1 million in 2021 to Euro 437.1 million in 2022 on a reported currency basis (15.0% on a constant currency basis), with positive contribution from all business lines and geographies. Pricing pressure from governmental healthcare systems and geographic mix sales had a negative effect on our global selling price. In addition, our revenue growth was partially affected by a positive exchange rate tailwind equal to 5.4%. Specifically, during 2022 the EUR weakened against USD, CHF and AUD (i.e. among our largest currency exposures) positively impacting revenue translated into Euro from our operations in those countries and only partially compensated by the EUR strengthening against JPY.

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)	31.12.2022	% of total	31.12.2021	% of total	Reported Growth	Constant Currency Growth
Hip	203.6	46.6%	179.3	49.4%	13.6%	9.2%
Knee	164.5	37.6%	131.1	36.1%	25.5%	18.4%
Extremities*	27.5	6.3%	19.0	5.2%	45.0%	38.8%
Spine	41.5	9.5%	33.8	9.3%	22.9%	19.2%
TOTAL REVENUES	**437.1**		**363.1**		**20.4%**	**15.0%**

* Extremities include Shoulder and Sportsmed revenues.

Revenue from our Hip products increased by Euro 24.3 million, or 13.6%, from Euro 179.3 million in 2021 to Euro 203.6 million in 2022 on a reported currency basis (9.2% on a constant currency basis); the growth was driven by the AMIS strategy supported by the roll-out of new products in the revision segment.

Revenue from our Knee offerings increased by Euro 33.4 million, or 25.5%, from Euro 131.1 million in 2021 to Euro 164.5 million in 2022 on a reported currency basis (18.4% on a constant currency basis). The good momentum was thanks to the continued customer acquisition on Kinematic Alignment, Efficiency single-use instruments, GMK Sphere platform and related MySolution technologies.

Our Extremities business line, which includes Shoulder and Sportsmed, reported an increase in revenue by Euro 8.5 million, or 45.0%, from Euro 19.0 million in 2021 to Euro 27.5 million in 2022 on a reported currency basis (38.8% 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 MyShoulder and NextAR MySolutions technologies.

Revenue from our Spine offerings increased by Euro 7.7 million, or 22.9%, from Euro 33.8 million in 2021 to Euro 41.5 million in 2022 on a reported currency basis (19.2% on a constant currency basis). Group full year Spine performance results are primarily driven by the expansion of MIS Platform and MySpine offering and in the second semester by the market introduction of NextAR Spine.

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

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

(Million Euro)	31.12.2022	% of total	31.12.2021	% of total	Reported Growth	Constant Currency Growth
Europe	187.4	42.9%	156.4	43.1%	19.8%	17.6%
North America	136.8	31.3%	109.2	30.1%	25.2%	11.5%
Asia Pacific	94.4	21.6%	84.9	23.4%	11.1%	11.2%
RoW	18.6	4.2%	12.6	3.4%	48.1%	38.7%
TOTAL REVENUES	**437.1**		**363.1**		**20.4%**	**15.0%**

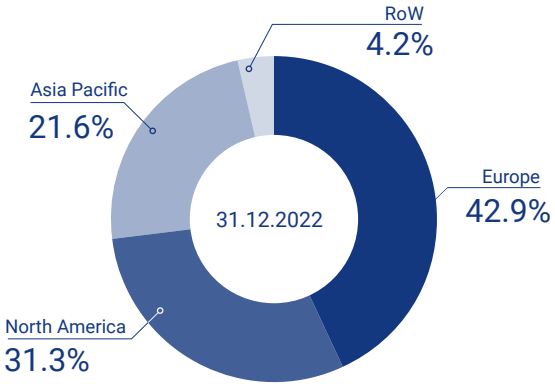
Revenue in Europe increased by Euro 30.9 million, or 19.8%, from Euro 156.4 million in 2021 to Euro 187.4 million in 2022 on a reported currency basis (positive 17.6% on a constant currency basis). The 2022 growth rate in Europe is in line with our reported Group-wide average revenue growth rate. All our European countries registered a solid growth, mostly driven by customer acquisition, together with normalization of surgical activities. As a percentage of our total revenue, sales generated in Europe were substantially in line with prior year at 42.9% in 2022 (compared to 43.1% in 2021).

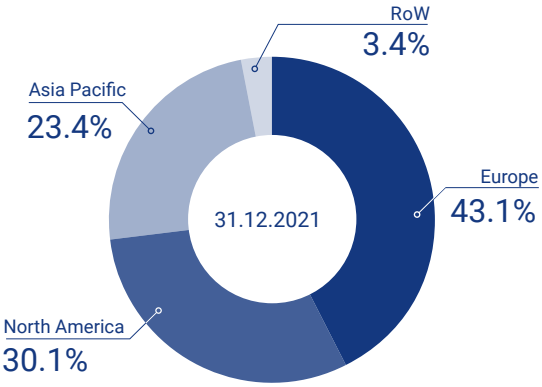
Revenue in North America increased by Euro 27.5 million, or 25.2%, from Euro 109.2 million in 2021 to Euro 136.8 million in 2022 on a reported currency basis (11.5% on a constant currency basis). The revenue generated in US, increased by Euro 27.6 million, or 25.5%, from Euro 108.5 million in 2021 to Euro 136.1 million in 2022 on a reported currency basis (11.7% on a constant currency basis). North America's performance was strong thanks to our customer acquisition strategy, limited only by hospital staffing shortages and Covid-19 restrictions, especially in the first months of the year. However, our reported revenue in North America was affected by a positive tailwind from the exchange rate. Specifically, during the course of 2022, the EUR weakened against the USD by an average of 12.4% (compared to the average 2021 exchange rate), positively impacting revenue translated into Euro. As a percentage of our total revenue, North America increased to 31.3% (compared to 30.1% in 2021).

Revenue in Asia Pacific increased by Euro 9.5 million, or 11.1%, from Euro 84.9 million in 2021 to Euro 94.4 million in 2022 on a reported currency basis (11.2% on a constant currency basis). This result was mainly driven by the attainment of new customers in Japan. Revenue growth in Australia was limited by significant longer than expected Covid impact, with recovery only in the last months of the year. Our reported revenue in Asia Pacific was partially offset by a negative headwind from the exchange rate. Specifically, in the course of 2022, the EUR strengthened against the JPY by an average 5.7% (compared to the average 2021 exchange rate), negatively impacting revenue translated into Euro from our Japanese operation. This negative translation impact was partially offset by the weakening of the EUR against the AUD by an average of 3.9% (compared to the average 2021 exchange rate). As a percentage of our total revenue, Asia Pacific decreased to 21.6% in 2022 (compared to 23.4% in 2021).

Revenue in RoW area increased by Euro 6.0 million, or 48.1%, from Euro 12.6 million in 2021 to Euro 18.6 million in 2022 on a reported currency basis (38.7% 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 mainly sustained by the increase purchases from stocking distributors in Latin America. As a percentage of our total revenue, sales from RoW increased to 4.2% in 2022 (compared to 3.4% in 2021).

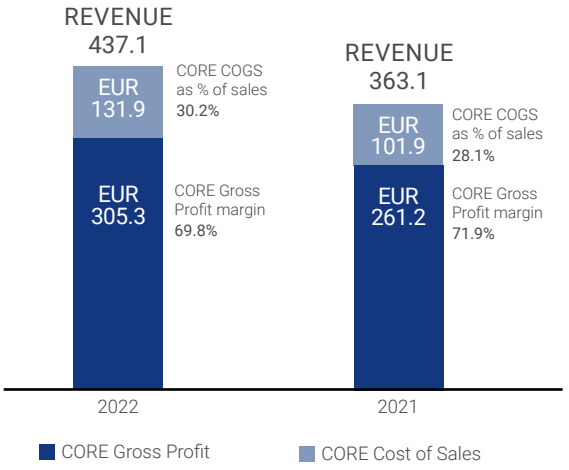
The graphics below provide an overview of our revenue by geography for the year December 31, 2022 and 2021.





COST OF SALES AND GROSS PROFIT

Our Gross Profit as a percentage of revenue decreased from 71.9% in 2021 to 69.8% in 2022. Gross Profit margin was materially affected by temporary geographic mix caused by hospital staffing shortages and significant longer than expected Covid impacts that lowered the contribution of USA and Australia on total volumes. Also, we experienced negative impact from currency development and price erosion.



CORE EBIT PERFORMANCE*

(Thousand Euro)	31.12.2022	31.12.2021	Delta	Delta %
CORE Research and Development expenses	(15'596)	(11'306)	(4'290)	37.9%
CORE Sales and Marketing expenses	(159'594)	(132'555)	(27'039)	20.4%
CORE General and Administrative expenses	(61'683)	(50'937)	(10'746)	21.1%
CORE Other income	1'570	1'536	34	2.2%
CORE Other expenses	(1'013)	(1'301)	288	-22.1%
CORE OPERATING EXPENSES (OPEX)	**(236'316)**	**(194'563)**	**(41'753)**	**21.5%**
CORE OPERATING PROFIT (EBIT)	**68'940**	**66'684**	**2'256**	**3.4%**

* 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 amortisation expenses (including impairments), business expenses and other non-capitalized expenses. During 2022, we continued investing in research and development, and in particular in certain long-term research initiatives, to support our strategy of broadening our product portfolio. Our CORE research and development costs that were expensed increased by Euro 4.3 million, or 37.9%, from Euro (11.3) million in 2021 to Euro (15.6) million in 2022.

In 2022, depreciation and impairment increased by Euro 2.8 million, following the completion of key projects before the new European Medical Devices Regulation fully entered into force in the first semester 2021. Currency development had a negative impact in our operational costs by Euro 1.0 million, primarily due to CHF which strengthened by 7.6% from prior period.

CORE Sales and marketing expenses

Our CORE sales and marketing expenses increased by Euro 27.0 million, or 20.4%, from Euro (132.6) million in 2021 to Euro (159.6) million in 2022. In 2022, CORE Sales and marketing expenses as a percentage of total revenue remained stable at 36.5%.

Wages and salaries, depreciation and training costs increased but at a lower pace than revenue contributing to an increase in EBIT margin totally offset by the increased number of travels, education and congresses, inflationary impact on transportation costs and a negative contribution in currency development. In 2022, we materially invested on medical education with more than 2'600 surgeons attending educational events in 2022. We also continued our commitment on the M.O.R.E. in Touch program which offers surgeons valuable online resources to deepen their knowledge and discover more about our solutions. Currency development had a negative impact of 0.5% in our operational costs, primarily due to USD, CHF and AUD which strengthened respectively by 12.4%, 7.6% and 3.9%from prior period.

CORE General and administrative expenses

Our CORE general and administrative expenses increased by Euro 10.7 million, or 21.1%, from Euro (50.9) million in 2021 to Euro (61.7) million in 2022. CORE general and administrative expenses as a percentage of total revenue increased to 14.1% in 2022 from 14.0% in 2021. This result was primarily driven by our expansion in rentals, office equipment, travels and negative currency development partially offset by the leverage in wages and salaries, depreciation and other fixed costs. Currency development had a negative impact of 0.2% in our operational costs, primarily due to USD, CHF and AUD which strengthened respectively by 12.4%, 7.6% and 3.9% from prior period.

CORE Other income and expenses

Our CORE other income decreased by Euro 0.1 million, or 2.2%, from Euro 1.5 million in 2021 to Euro 1.6 million in 2022. CORE other income as a percentage of total revenue remained largely stable at 0.4%. Our other expenses decreased by Euro 0.3 million, from Euro (1.3) million in 2021 to Euro (1.0) million in 2022 largely as a result of lower write-offs and loss on sale of tangible assets.

FINANCIAL INCOME AND COSTS

Our financial income increased by Euro 0.5 million, or 22.2%, from Euro 2.3 million in 2021 to Euro 2.8 million in 2022, mainly due to the increase of unrealized exchange gain in the amount of Euro 0.9 million. Our financial costs increased by Euro 3.9 million, or 68.4%, from Euro 5.6 million in 2021 to Euro 9.5 million in 2022 primarily as a result of both increased exchange losses for Euro 3.6 million and increased interest and bank charges for Euro 0.4 million.

INCOME TAXES

The Group effective tax rate increased to 15.6% from 7.1% in 2021. The 2022 total reported tax is equal to Euro 8.5 million, increased by Euro 4.6 million from Euro 3.9 million in the previous year. The Group's average tax rate before deductions and one-off effects increased from 16.8% in 2021 to 19.1% in 2022, negatively affected by a change in the profit mix. This effect is the consequence of the increasing profitability of Medacta USA compared to prior period, also due to the impact of the provision accrued in 2021 on the MicroPort litigation, which resulted in a lower consolidated tax rate due to the recognition of a deferred tax asset on losses generated by the entity.

Medacta International SA benefits, since 2020, from a special tax deduction from taxable profits for qualifying profits arising from patent rights ("Patent Box deduction"), which has a positive impact in the full year 2022 amounting around Euro 1.7 million (around Euro 3.5 million as of December 31, 2021), corresponding to a positive impact on the effective tax rate for 3.2% (6.3% as of December 31, 2021).

ADJUSTED FREE CASH FLOW

The Adjusted Free Cash Flow decreased from Euro 33.8 million in 2021 to Euro 21.6 million in 2022 primarily as a result of the surge in investments in surgical instruments to sustain the Group's growth.

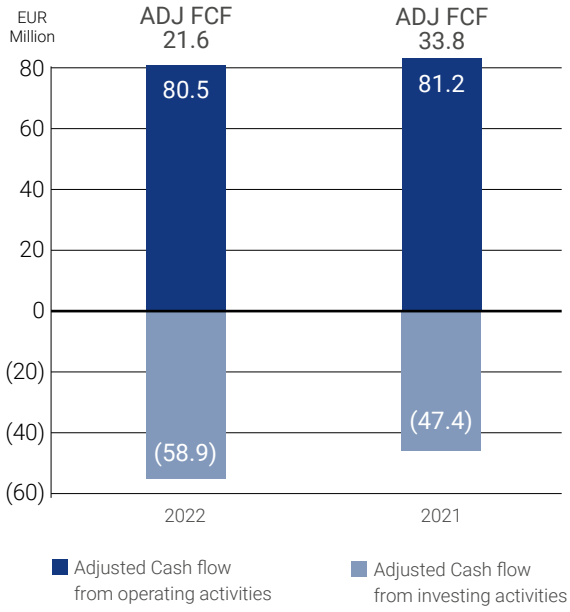
Adjusted for abnormal transactions, 2022 cash flow from operating activities was equal to around Euro 80.5 million, compared to Euro 81.2 million as of December 31, 2021. The Adjusted cash flow from operating activities is composed of the reported cash flow from operating activities equal to Euro 73.5 million, adjusted by non-recurring legal costs for Euro 1.2 million, the 2022 Conformis, RSB and Microport settlement payments of Euro 5.1 million and extraordinary MDR payment of Euro 0.6 million. The 2022 result is substantially in line with prior year mainly driven by earnings before tax only Euro 0.7 million lower than 2021.

Reported cash flow from investing activities as of December 31, 2022 amounting to Euro 65.1 million mainly reflects net investments in surgical instruments, for Euro 44.9 million and in the research and development of new implants and instruments, for Euro 6.9 million. In 2022 cash flow from investing activities has been adjusted for the investments made to finalize the new offices in our Rancate site for approximately Euro 1.2 million, for the land acquisition in Castel San Pietro for Euro 4.8 million to increase our production area by about 5'300 square meters and for the investment made to acquire Levante Medica for Euro 0.2 million. The previous year Adjusted cash flow from investing activities equal to Euro 47.4 million was adjusted by the cash paid to create new offices in our Rancate site for approximately Euro 4.6 million. The 2022 increase in Adjusted cash flow from investing activities is substantially driven by the material surge in investments on surgical instruments which increased by Euro 9.9 million.

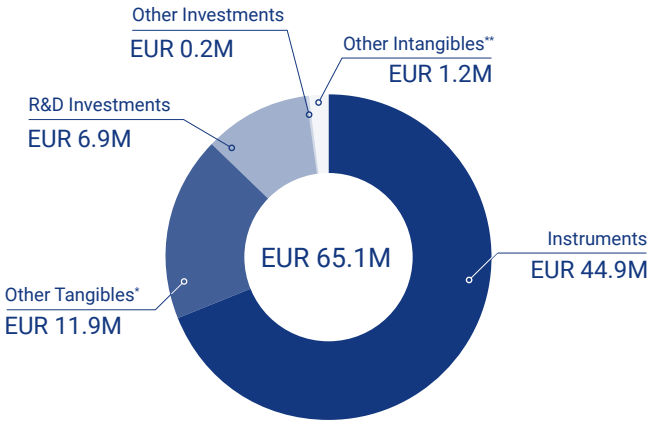
CAPITAL STRUCTURE

Group Net Debt in 2022 was equal to Euro 111.6 million, compared to Euro 93.6 million as of December 31, 2021. In 2022, the Group amended some of the credit agreements, changing the payment terms of existing bank loans and credit facilities, prolonging the payments originally due in 2022 until 2024 to a new amortisation schedule that extends the terms until 2028. This renegotiation is reflected in the classification within current or non-current financial liabilities in the Consolidated Statement of Financial Position as of December 31, 2022: Euro 7.1 million (Euro 64.5 million in 2021) current and Euro 137.6 million non-current (Euro 49.6 million in 2021).

Despite the increase in Net Debt, our 2022 leverage ratio equal to 0.93, is overall in line with prior period (0.87 in 2021) and below our management targeted ceiling of 1.0.

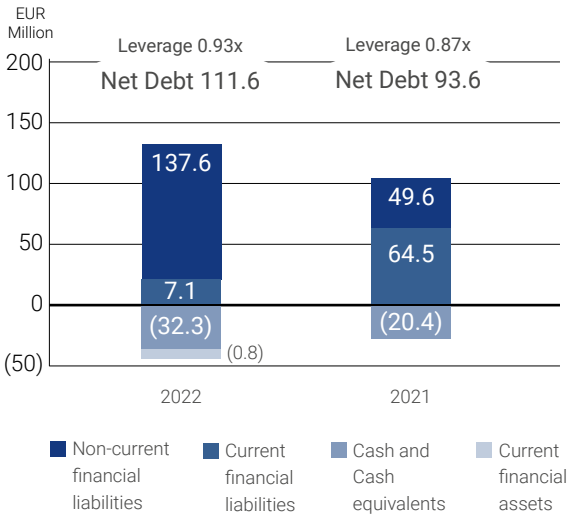


2022 CASH FLOW FROM INVESTING ACTIVITIES



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

** Other Intangibles includes Customer lists, trademarks, softwares and other.



1.1 ALTERNATIVE PERFORMANCE MEASURES

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

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

CORE RESULTS

The following tables provide the reconciliation of the CORE results with the Consolidated Financial Statements as of December 31, 2022 and 2021. In addition to the CORE ratios we did not identify any normalization for the December 31, 2022 results. Management assessed that due to the pervasive nature of Covid-19, it would not be appropriate to include new APMs as it might not provide reliable or useful information to the market.

2022 CORE RESULTS RECONCILIATION

December 31, 2022 (Thousand Euro)	IFRS	Provision on Litigations[1]	Legal costs[2]	MDR costs[3]	Italian Payback[4]	CORE[5]
Revenues	437'122	-	-	-	-	437'122
Cost of Sales	(131'866)	-	-	-	-	(131'866)
GROSS PROFIT	**305'256**	**-**	**-**	**-**	**-**	**305'256**
Research and Development expenses	(16'223)	-	-	627	-	(15'596)
Sales and Marketing expenses	(159'594)	-	-	-	-	(159'594)
General and Administrative expenses	(65'447)	2'540	1'224	-	-	(61'683)
Other income	1'570	-	-	-	-	1'570
Other expenses	(4'098)	-	-	-	3'085	(1'013)
OPERATING PROFIT (EBIT)	**61'464**	**2'540**	**1'224**	**627**	**3'085**	**68'940**
OPERATING PROFIT (EBIT)	**61'464**	**2'540**	**1'224**	**627**	**3'085**	**68'940**
Depreciation and Amortisation	51'510	-	-	-	-	51'510
EBITDA	**112'974**	**2'540**	**1'224**	**627**	**3'085**	**120'450**
EBITDA MARGIN	**25.8%**					**27.6%**

[1] Provision on litigations are related to the accrual for the patent matters with Conformis (Euro 2'208 thousand) and RSB (Euro 332 thousand), both settled in 2022 (see Note 6.25 "Litigations").

[2] Legal costs incurred in 2022 are related to the extraordinary expenses incurred by the Group on litigations, refer to Note 6.25 "Litigations".

[3] MDR costs in 2022 refer to the extraordinary expenses incurred by the Group on the transition to comply the new regulation, refer to Note 6.1 "Significant events and transactions" paragraph "New EU regulation on Medical Devices (MDR)".

[4] Italian Payback is related to the provision accrued in 2022 after the introduction of a payback scheme in Italy (see Note 6.25 "Litigations", paragraph "Italian payback scheme litigation").

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

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.

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

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

ADJUSTED FREE CASH FLOW RECONCILIATION

(Thousand Euro)	31.12.2022	31.12.2021
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**73'510**	**54'061**
Adjustments for:		
Legal costs	1'224	2'966
Settlement of legal claims[1]	5'147	5'922
Incremental taxes paid in 2021[2]	-	18'254
Extraordinary MDR Costs[3]	627	
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**80'508**	**81'203**

CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(65'106)**	**(52'042)**
Adjustments for:		
Rancate investments[4]	1'247	4'603
Levante Medica asset purchase acquisition[5]	220	
Land acquisition for plant expansion[6]	4'753	
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(58'886)**	**(47'439)**

ADJUSTED FREE CASH FLOW	**21'622**	**33'764**

[1] Settlement of legal claims is related to the payment for the settlement agreements with MicroPort, amounting to Euro 1'901 thousand in 2022 (Euro 5'922 thousand in 2021); Conformis (Euro 2'914 thousand) and RSB (Euro 332 thousand).

[2] In 2021 Medacta International SA paid income taxes for a total amount of CHF 24'846 thousand (Euro 22'990 thousand) out of which CHF 19'728 thousand (Euro 18'254 thousand) are related to the settlement of 2017 and 2018 fiscal years.

[3] EU Medical Devices Regulation (MDR).

[4] In 2022, Medacta invested Euro 1'247 thousand (4'603 thousand in 2021) in creating new offices in our Rancate site.

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

[6] In 2022, Medacta invested Euro 4'753 thousand for strategic purchase of a land that will be destinated for Castel San Pietro manufacturing plant expansion.

KPI DEFINITIONS

CORE

In accordance with the directives of the Swiss Stock Exchange, the Group adopted the reporting of Alternative Performance Measures (APM), which facilitates the assessment of the underlying business performance but may differ from IFRS reported figures. The 'CORE' (i.e. Adjusted) figures used in this document exclude extraordinary legal expenses, legal provisions, release of prior-year provisions, one-time tax duty and other one-time items that may vary significantly over periods. A reconciliation table of the reported and CORE ratios with additional descriptions is provided on paragraph 1.1 "Alternative Performance Measures" of this report.

EBITDA

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

ADJUSTED EBITDA (I.E., CORE EBITDA)

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

CONSTANT CURRENCY

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

OPEX

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

EQUITY RATIO

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

NET TRADE WORKING CAPITAL

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

FREE CASH FLOW

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

NET DEBT

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

LEVERAGE

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

2. MEDACTA AT A GLANCE

Medacta is an international company specializing in the design, production, and distribution of innovative orthopedic products, as well as in the development of accompanying surgical techniques. Established in 1999 in Switzerland, Medacta is active in joint replacement, spine surgery, and sports medicine. Medacta is committed to improving the care and well-being of patients and maintains a strong focus on healthcare sustainability. Medacta's innovation, forged by close collaboration with surgeon experts globally, began with minimally invasive surgical techniques and has evolved into personalized solutions for every patient. Through the M.O.R.E. Institute, Medacta supports surgeons with a comprehensive and tailored program dedicated to the advancement of medical education. Medacta is headquartered in Castel San Pietro, Switzerland, and operates in over 50 countries.

2.1 VISION

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

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.

3. MEDACTA'S UNIQUE HISTORY: IT IS FOUNDED BY A PATIENT

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 since then it has been performed in over 500'000 cases.

In 2004, we created the M.O.R.E. Institute to educate and engage with our customer surgeons, initially focusing on optimally performing 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 develop personalized patient solutions, and the first knee surgery using our patient-matched MySolutions technology took place in 2009. A 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 150'000 cases, achieving ten years of successful clinical experience.

In 2009, we expanded into the spine segment of the orthopedics market. Our team of engineers collaborated with international expert 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 were implanted in the US. To complete our portfolio, we invested in a new Sports medicine business line in 2016.

Our engineers, together with an international team of surgeons specializing in sports medicine, developed specific and innovative products for treating 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, and welcomed 1'500 attendees from all over the world, 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 application for total knee replacement.

In 2022, we celebrated an important milestone by opening the doors of our new offices in Rancate. In addition, we surpassed 1'900 NextAR surgeries performed worldwide, driven by the full market release of the NextAR Shoulder application in May. In June, NextAR further enlarged its worldwide outreach with approval in Japan. Moreover, in October, the NextAR Spine application was awarded the 2022 Spine Technology Award from Orthopedics This Week, the second Medacta product to receive this prestigious honor after MySpine Platform, patient-matched technology.

MEDACTA OPENS NEW OFFICES IN RANCATE, SWITZERLAND

We celebrated an important milestone by opening the doors of our new offices in Rancate on 18 May 2022. With an expansion of 2'100 square meters supporting the creation of new jobs, the new building complements and works in complete synergy with the Castel San Pietro headquarters: two hubs of cutting-edge technology which continue to innovate responsibly for the benefit of patients, medical professionals, healthcare systems and the local community. To support our constant growth, we have also initiated a new project in Ticino that includes two major expansions. In Castel San Pietro, the production area will be expanded by about 5'300 square meters, bringing the total area to 15'300 square meters, with an increase of more than 50 percent in total area. The current 12'000 square meters in Rancate will be further expanded with a new area of about 9'500 square meters, dedicated to both offices and production, with an increase of almost 80% in operational space. In total, Medacta plants in Ticino are foreseen to cover more than 36'800 square meters. These plans will be implemented while always maintaining a strong focus on sustainability.

It is with great satisfaction that we inaugurate this new building. A new step forward to boost our growth and reinforce the recent positive results achieved despite the limitations due to the pandemic. Our strategy, based on the three pillars of innovation, medical education, and healthcare sustainability, represents the foundation of our success, and drives our plans for future expansion.

Francesco Siccardi,
CEO of Medacta

I recall with affection the first day of Medacta in 1999. Medacta was born and keeps growing in Ticino, where we plan further local investments in the future as well. Today's event marks another date to highlight in the evolution of our company's growth, locally and globally.

Dr. Alberto Siccardi,
President of the Board of Directors of Medacta

4. MEDACTA PEOPLE AND CULTURE

HUMAN CAPITAL AT THE HEART OF OUR BUSINESS

Medacta's constantly expanding organization requires a business structure designed to provide resiliency over the years across business cycles. Therefore, one of the most important factors is our human capital, which requires a dedicated people-centered strategy. Our team, which has surpassed the milestone of 1'500 members worldwide this year, is the driving force behind our company, inspiring innovation and bringing together diverse experiences, perspectives, and ideas to improve the patient experience. Human capital in Medacta is made up of an ecosystem of talented people who build and sustain the authenticity, competitiveness, and sustainability of our company. The "Medacta people ecosystem" combines two different groups of people that operate in constant synergy with each other: "company employees" and "expert surgeons."

COMPANY EMPLOYEES

Inspired by a common vision to improve care for patients and from the value of the #beMedacta culture, our people are differentiated by high levels of commitment, ownership, and collaborative attitude in their job, whatever it is. Everyone contributes to Medacta's growth, bringing motivation, skills, enthusiasm, and experience.

The company's performance has been positively impacted by our employees willingness to engage with each other in teams and workgroups, promoting continuous multidisciplinary communication and collaboration across the organization. Medacta's employees are our competitive edge, and ensuring their engagement is essential to success. Therefore, we implemented several initiatives and maintained a constant dialogue with our employees. In 2022, the CEO periodically met our employees worldwide or on a local basis to personally discuss new ideas and assess improvement processes, working closely in conjunction with our Human Resources to ensure some of those ideas become a reality.

Our human capital, besides our employees, also includes the international new hires who join our company each year, bringing know-how, insights, and experiences from other organizations. Being one of the fastest-growing orthopedic businesses globally, we have an extremely competitive talent attraction strategy focused on creating carrier opportunities for the industry's talents which sets us apart from our competitors. As part of a comprehensive strategy, Medacta also leverages its increasing employer value proposition, a recruitment marketing campaign, and a strong organizational culture. To support our rapid growth, we are committed to continuously developing and retaining new talent, establishing a dynamic and flexible workplace where they can grow professionally, challenge themselves, make a difference, and prosper, always inspired by our values and encouraged by our team.

EXPERT SURGEONS

Moreover, a crucial part of our human capital is represented by our network of expert surgeons worldwide, with whom we collaborate on a regular basis and we consider an extension of our official team. This group of internationally recognized surgeons continues to grow and contributes to inspiring and guiding new surgeons in adopting our innovative solutions, technologies, and products. Each new surgeon brings experience, knowledge, and ideas that may contribute to our innovation, enabling us to evolve our solutions with the aim of improving patients' outcomes.

A STRONG IDENTITY SUSTAINED BY A SOLID CULTURE

Medacta is dedicated to securing and managing our human capital by means of a strong identity sustained by a solid culture, always being able to count on the right people with the right competencies at the right time.

MEDACTA IDENTITY

Medacta's strong identity is expressed in different elements representing the company worldwide, but what makes the company unique and different from all others in the market is its history. In fact, Medacta is the only orthopedic company founded by a patient. Our founder's passion, courage, and trust have been translated into the company's vision and culture, which help to foster a feeling of belonging and inspire each person to be committed to consistently giving their best efforts.

MEDACTA CULTURE

At Medacta, we always strive to strengthen our #beMedacta culture, a key to sustainable success, actively contributing to our growth. We want to ensure that all our employees understand and demonstrate our culture and values to build and sustain our continuous improvement process successfully. We believe it is of the utmost importance that these values are kept alive and, above all, transferred to all the people who have joined and will join our company in the coming years.

INTEGRITY
Always be honest and upright

We do all our business in an honorable manner, knowing that there is no right way to do the wrong thing

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

We believe in people, aware that they are the engine of our success

RESULTS ORIENTATION
Know your goal, focus on it

We work to exceed our goals

TEAM WORK
Leverage collective genius

Great things in business are never done by one person

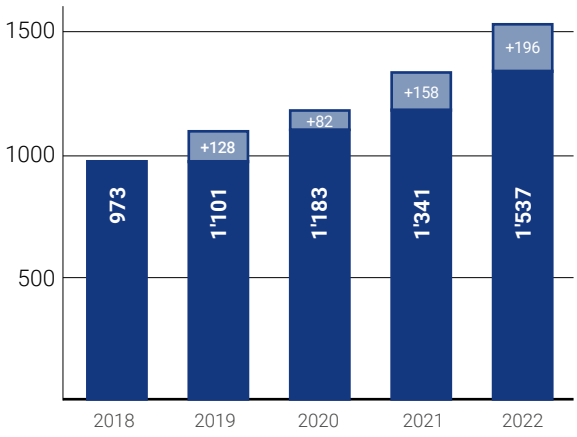
LOYALTY
Be Medacta

We are proud to be part of Medacta

Our values and their evaluation are integrated into our talent acquisition process, as well as our onboarding activities, Code of Business Conduct and Ethics, and within our performance and talent management processes.

HUMAN RESOURCES ORGANIZATION

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



- EMPLOYER VALUE PROPOSITION
  Developing our employer brand and values and increasing the overall employee experience that will enable us to attract and retain our people.
- TALENT ACQUISITION
  Enhancing hiring processes and systems that will enable us to improve the speed, quality and effectiveness of attracting and hiring people.
- TOTAL REWARDS
  Developing comprehensive & competitive compensation strategies and recognition schemes enabling us to hire and retain.
- TALENT & PERFORMANCE MANAGEMENT
  Building meaningful, robust processes and tools that will manage our human capital effectively today and in the future.
- LEARNING & DEVELOPMENT
  Establishing a culture of learning and growth for our people which is aligned to our employees and organizational needs.

5. MEDACTA GROWTH CAPEX MODEL

GROWTH CAPEX MODEL

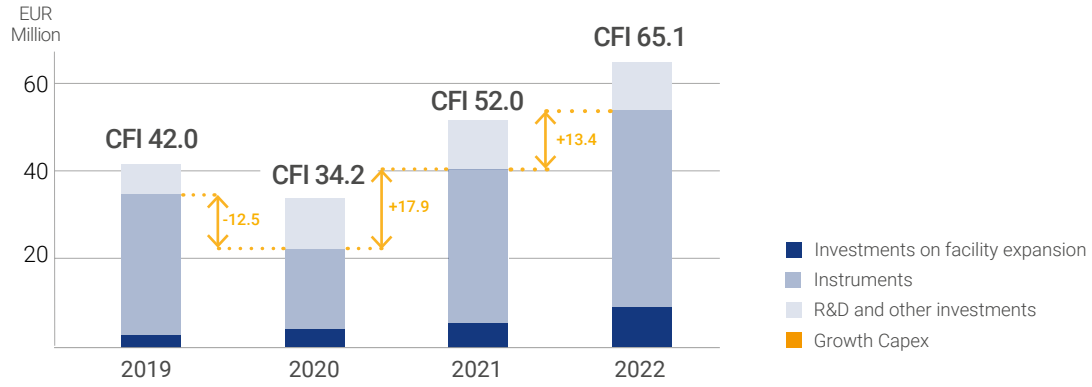
Within our strategic planning process, we annually assess the amount of CAPEX needed to help foster the planned growth.

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

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

Here below we report the cash flow for investing activities (CFI) from 2019 to 2022, broken down by facility expansions (e.g. land & buildings, plants & machinery, and assets under construction), instrument sets and R&D and other investments, showing the CAPEX change year-over-year:

GROWTH CAPEX 2019-2022



INSTRUMENT SETS

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

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

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

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

FACILITY EXPANSION

To increase our manufacturing capacity and strengthen our supply chain, we are steadily acquiring new equipment and projecting facility expansions to maximize our assets.

Medacta currently owns two hubs of cutting-edge technology. The first corporate headquarters and manufacturing site was established in 2000, in Castel San Pietro, Switzerland. In 2018, we acquired a new site in Rancate, Switzerland, with an initial investment of approximately Euro 25 million. Today our manufacturing facilities produce approximately 1.0 million implants per year and operate with almost 800 employees.

Historically, we have outsourced several non-proprietary production processes, including casting, forging, injection molding, ceramic molding, sterilization, and coating, together with the production of most instruments.

A recurring strategic make-or-buy analysis is performed to maximize competitive advantage while reducing production costs and capital investment. Each year we make strategic investments to increase capacity to sustain our future growth, strength our supply chain, and insource production when needed.

We have already projected our next two major plant expansions to continue enabling our steady long-term growth. In Castel San Pietro, the production area will be expanded by approximately 5'300 square meters, bringing the total area to 15'300 square meters, with an increase of production space by more than 50 percent in total area. The current 12'000 square meters in Rancate will be further expanded with a new area of about 9'500 square meters, with an increase of almost 80% in operational space. In total, the Medacta plants in Switzerland are foreseen to cover more than 36'800 square meters. These expansions will allow a significant increase in manufacturing capacity and supply chain stability.

Medacta in Castel San Pietro

Medacta in Rancate

6. MEDACTA VALUE CREATION STRATEGY

AN OVERVIEW OF THE ORTHOPEDIC MARKET

The orthopedic market is characterized by growth in procedural volumes, continuous technological advances, which lead to frequent new product introductions, and evolving industry standards resulting from innovation and scientific discoveries. Moreover, in outpatient surgery, and particularly in the US market, Ambulatory Surgery Centers (ASCs), which provide same-day surgical care, including diagnostic and preventive procedures, without hospital admission, represent a significant growth driver. This is due to their ability to provide surgical procedures at a lower cost, with shorter waiting times and potentially better outcomes (e.g., lower risk of infection and early mobilization) with benefits for patients and the whole healthcare system. Medacta is focused and committed to applying our integrated strategy in sustainable markets, ASCs, and personalized medicine since we believe these are the key vehicles of future industry growth.

A DIFFERENTIATED APPROACH

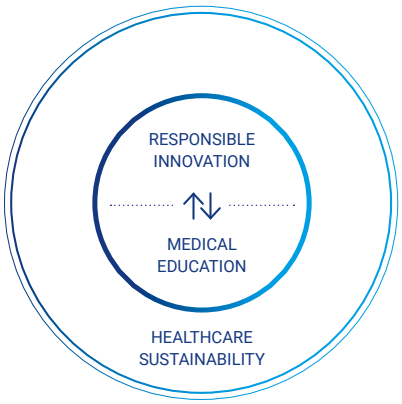
We believe Medacta makes a difference through innovative, minimally invasive, and personalized treatment options and its tailored surgeon education programs. Since our founding in 1999, we have become pioneers in developing innovative products and surgical techniques. With hundreds of patents in our portfolio, we have long-standing expertise in bringing new technologies to the market, offering a range of benefits for patients, surgeons, and healthcare systems, in particular, our Anterior Minimally Invasive Surgery (AMIS) technique for hip replacement which now counts more than 500'000 patients' procedures worldwide. We leveraged our expertise to develop our sophisticated "MySolutions" technology, which enables us to offer surgeons highly personalized preoperative planning and advanced implant placement methodologies, personalized for the unique anatomy of the patient, to further improve intraoperative precision and efficiency.

Differentiated approaches often require to undergo a learning curve. With the M.O.R.E. Institute we provide our existing and new customers with ample educational opportunities to develop and refine their skills with our innovative products, techniques, and technologies. In fact, since its founding, it has become a global medical education platform tailored to fulfill the needs of the individual surgeon, with dedicated courses addressing each of our business lines.

INTEGRATED STRATEGY

Medacta aims to develop a long-lasting relationship with surgeons, hospitals, and other healthcare providers through a strategy based on value creation, leveraging advanced technologies and patient-specific data insights to efficiently complement any of their current operations, potentially delivering better outcomes, and increasing patient satisfaction while limiting costs.

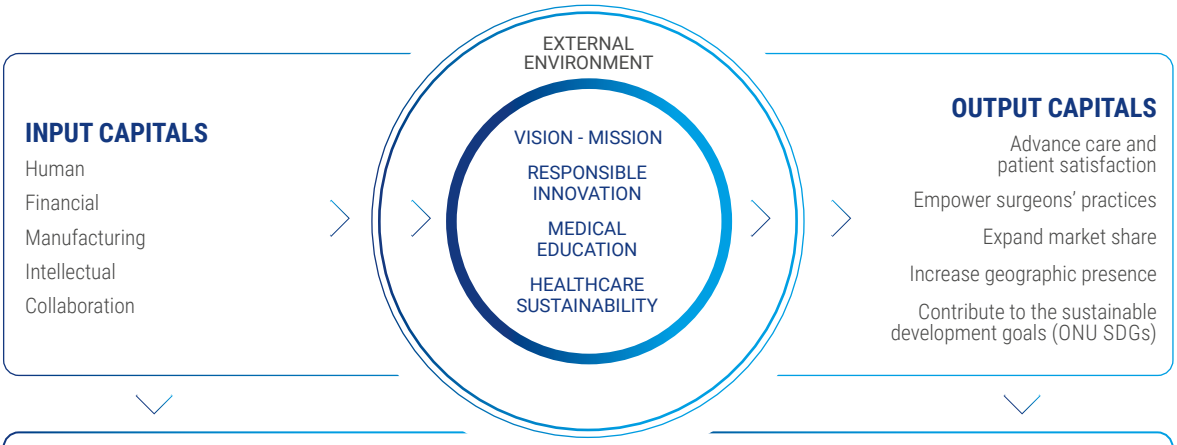
At Medacta, value generation in such a complex environment follows a holistic approach, and it is built on three fundamental assets: "responsible innovation", "medical education", and "healthcare sustainability".



- RESPONSIBLE INNOVATION
  is the foundation of all our projects and the basis of our growth strategy. It began with minimally invasive techniques and has evolved into personalized solutions designed for every patient, with the aim to improve their care pathway and potentially enable better outcomes. We are convinced that innovation requires medical education.
- MEDICAL EDUCATION
  is an indispensable tool for transforming our innovation into concrete benefits for patients' well-being and healthcare system efficiency. We provide our surgeons with personalized, structured, and accessible education programs on our innovative technologies and procedures, to help them fasten the learning curve to become proficient in the use of our products and solutions.
- HEALTHCARE SUSTAINABILITY
  is a key element in making our innovation and training programs as accessible as possible. It guides the design of our solutions to make them more efficient, reducing costs and complementing operative workflow efficiently.

BUSINESS MODEL

Medacta is committed to creating value through a process that converts stocks of value, defined as "input capitals", into "outputs capitals", which are the concrete results that can generate sustainable value for all our stakeholders over the short, medium, and long term. The external environment, including economic conditions, technological change, and societal and environmental challenges, sets the context within which we operate. The vision, mission, and fundamental assets encompass the whole organization, identifying the complete scenario in which we operate.



INPUT CAPITALS

The input capitals comprise different areas and are in continuous interaction with each other.

HUMAN

We can count on more than 1'500 specialized and talented employees worldwide. They are motivated and share strong identity, solid culture, and ethical values. The investments in training programs allow for the continuous updating of their knowledge, competencies, and expertise.

FINANCIAL

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

MANUFACTURING

Our team fully operates in-house, in our two production sites in Castel San Pietro and Rancate, designing and producing our products, assuring excellent quality, flexibility, continuity, and efficiency. The extensive use of automation allows for a reduction in operational cost, increased control over the process, increased quality, and shortened production lead time. In addition, it frees up resources for more productive tasks and contributes to significantly less machinery downtime.

INTELLECTUAL

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

COLLABORATION

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

OUTPUT CAPITALS

The input capitals follow a transformational process, which may lead them to generate concrete results, or output capital.

ADVANCE CARE AND PATIENT SATISFACTION

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

EMPOWER SURGEONS' PRACTICES

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

EXPAND MARKET SHARE

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

INCREASE GEOGRAPHIC PRESENCE

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

CONTRIBUTE TO THE SUSTAINABLE DEVELOPMENT GOALS (ONU SDGS)

We aim for constant improvement of innovative solutions, caring for people, for the environment and for our community, according to the "SDGs" defined by the United Nations. More details are available in our sustainability report.

6.1 RESPONSIBLE INNOVATION

Innovation is of paramount importance at Medacta and is expressed in the originality of our surgical techniques, products, and technologies. It 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. This has led us to the design of an advanced network of digital solutions to improve patient outcomes and healthcare efficiency - the MySolutions Personalized Ecosystem. Moreover, we firmly believe in responsible innovation, which is guaranteed by our M.O.R.E. Excellence Clinical Program, enabling us to introduce innovative products into the market responsibly.

PILLARS

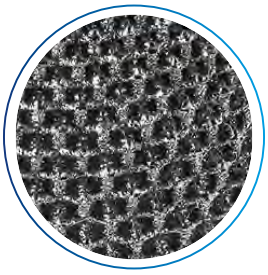
For us, innovation is based on three pillars: a strong and continued collaboration with surgeons, continuous investments in long-term and short-term Research and Development (R&D), and the adoption of cutting-edge technologies.

STRONG COLLABORATION WITH SURGEONS

Listening to surgeons, identifying patient requirements, and designing new solutions enables us to respond to unmet clinical needs proactively. We collaborate on a regular basis with internationally recognized surgeons, leading universities, and hospital research institutions on innovative surgical techniques and the evolution of our products and methodologies. A successful example of this collaboration is our GMK Sphere, a total knee implant designed to deliver maximum functional stability with the goal of increasing total knee arthroplasty (TKA) patient satisfaction 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 Research and Development (R&D) team is divided into three business units: Joint, Spine, and Sports Medicine. We have a range of research resources available in-house, including the MyBody database, advanced 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 also have developed NextAR, our proprietary Augmented Reality Surgical Platform, which provides efficiency and precision in computer-assisted surgery. R&D and in-house technology boost our innovation, allowing for high standards of quality, flexibility, continuity, and efficiency.



CUTTING-EDGE TECHNOLOGIES

Our product pipeline is being advanced by leveraging big data, cutting-edge manufacturing, smart robotics, augmented reality guidance, and surface technology. We have developed an advanced three-dimensional 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 by means of 3D printing, which facilitates implant fixation and increases production speed and efficiency at lower costs.

M.O.R.E. EXCELLENCE CLINICAL PROGRAM

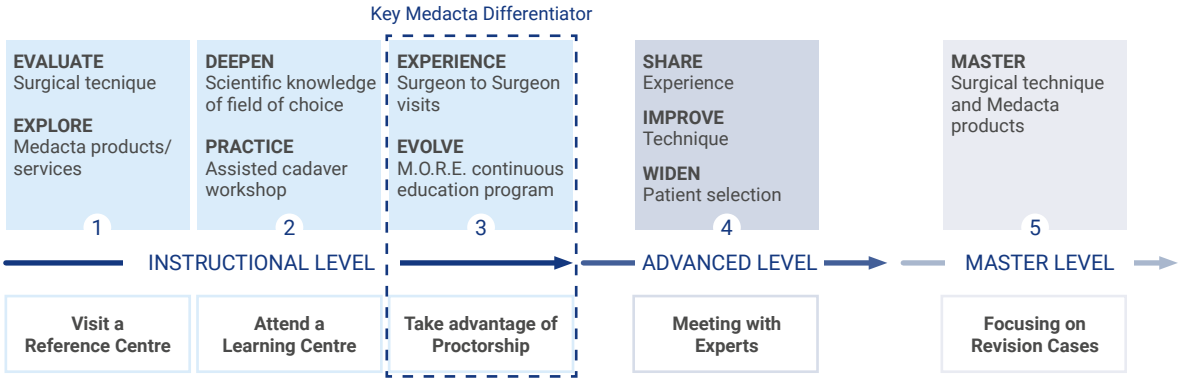
This program enables us to responsibly introduce innovative products to the marketplace by defining the applicable steps and milestones ahead of their full release. We typically release new products on a restricted basis to conduct voluntary clinical programs, following the guidelines recommended by independent organizations, such as the Orthopedic Data Evaluation Panel or the Beyond Compliance Program. After the full market release of our products, we continuously monitor and assess their performances by way of our post-market surveillance program, which channels data to an internal group of experts who assess a report to ensure the system performance is fully understood and the risks are carefully evaluated. Moreover, we sponsor and participate in clinical post-market studies conducted by leading international experts to continuously improve our knowledge and make these results available to the scientific community through peer-reviewed publications.

6.2 MEDICAL EDUCATION

We believe that education is a fundamental pillar of our long-term value-creation strategy and an indispensable tool for transforming innovation into concrete benefits for patients, surgeons, and healthcare systems. We are committed to providing continuous support to healthcare professionals worldwide to facilitate the adoption and sharing of knowledge of our innovative solutions. Since its founding in 2004, the M.O.R.E. Institute has become a global medical education platform tailored to fulfill the needs of the individual surgeon, with dedicated courses addressing each of our business lines. "With the M.O.R.E. Institute, the surgeon is never alone when discovering new technologies" is our education motto.

THE CHALLENGE OF THE LEARNING PROCESS

The introduction of innovative techniques, products, and technologies requires time to adapt and is usually associated with a learning curve. Therefore, we provide both our existing and new customers with personalized, structured, and accessible educational opportunities with the aim of improving patient outcomes through enhanced surgical proficiency. The M.O.R.E. Education path is built on "Surgeon to Surgeon" activities. Participants can visit experienced surgeons to approach our innovative portfolio, attend learning centers to practice during wet labs, and deepen their knowledge through discussions with our international surgeon experts, progressively and continuously advancing from instructional, through advanced, to master level. We value proctorship as a key element in the learning process, providing unparalleled support to surgeons during their first surgeries at their own hospital.



A PLATFORM DESIGNED TO SHARE EXPERIENCE

The M.O.R.E. Institute relies on an international network of expert surgeons to create interactive networking opportunities and a variety of educational events, facilitating the learning and sharing of experiences, including one-to-one visits, online webinars and Meet the Experts, wet labs, scientific evenings, and international symposia. The M.O.R.E. Institute also supports fellowship programs worldwide, with a strong focus on young and promising surgeons.

THE VALUE OF OUR EDUCATION PROGRAMS

In 2022, on the occasion of the celebration of passing the milestone of 500'000 patients treated with AMIS (Anterior Minimally Invasive Surgery), we interviewed some surgeons about their "AMIS Experience". They agreed on the importance of our education programs, as one of the key elements of the AMIS success over the years. It all started in 2004 when we collaborated with an international group of expert surgeons to create the unique AMIS Education Program. This program provides surgeons with a tailored and comprehensive training program and proctorship which allows for technique proficiency and encourages the sharing of knowledge and experiences, thereby reducing potential challenges in the early phase of the learning curve[1,2]. This program has become a dynamic global platform with an education community including more than 260 AMIS Reference Centers worldwide and almost 500 AMIS Learning Centers organized to date.

A STRONG PARTNERSHIP WITH SURGEONS

Our systematic approach to customer development through education is a key factor in our success, allowing us to cultivate a strong partnership with our surgeons and facilitating the widespread adoption of our products and surgical techniques. We believe that our engagement and education initiatives significantly contribute to our surgeons' retention and loyalty. 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 orthopedic field.

EDUCATIONAL ACTIVITIES AND OPPORTUNITIES

In 2022, we continued our commitment to medical education with more than 2'600 surgeons attending educational activities. Besides the in-person scientific events, the M.O.R.E. Institute programs offer surgeons valuable online resources to deepen their knowledge and discover more about our solutions, including eLearning Classes, live surgical demonstrations, webinars, and online "Meet the Expert" exclusive events. Moreover, surgeons can access many hours of on-demand medical education through Medacta TV, our streaming platform, along with our whole education library, available 24/7 from iOS or Android-based tablets or mobile devices, both online and offline through the specially designed M.O.R.E. App.

[1] Müller DA, Zingg PO, Dora C. Anterior minimally invasive approach for total hip replacement: five-year survivorship and learning curve. Hip Int 2014.
[2] Zing P. AMIS using Versafitcup and Quadra to overcome tissue response: 5-year results. Podium presentation at the 7th M.O.R.E. International Symposium, Lugano, Switzerland, April 11-12, 2014.

6.3 HEALTHCARE SUSTAINABILITY

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 surgical costs.

AMIS

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. Our AMIS offering has been further enhanced over the years with new packages that allow surgeons to take the anterior approach to the next level. Surgeons can experience AMIS 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 AMIS procedure.

GMK EFFICIENCY

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

PATIENT-MATCHED TECHNOLOGY

Backed by more than 10 years of clinical evidence, patient-matched technology facilitates accurate implant positioning and operating room efficiency. This solution combines a dedicated personalized 3D preoperative planning tool, based on CT or MRI scans of the patient's anatomy, with patient-matched guides that enable the surgeon to accurately replicate intraoperatively the validated planning. Our patient-matched solutions are available for hip, knee, shoulder, and spine procedures and are regularly used by thousands of surgeons around the world and are part of our MySolutions Personalized Ecosystem.

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

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

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

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

Propel Same Day Surgery Initiatives

Propel provides resources to practitioners and administrators who seek to create a personalized outpatient program. It features various customizable tracks that allow Ambulatory Surgery Centers (ASCs) and other facilities seeking to implement outpatient options to create programs to best suit their local demands.

EMPOWER YOUR VISION
EXPERIENCE NEXTAR PLATFORM

NEXTAR AUGMENTED REALITY SURGICAL PLATFORM

The NextAR Platform leverages patient-specific, unique real-time data to efficiently complement operative workflow. Through advanced 3D planning tools, a revolutionary, compact, and integrated single-use tracking system, and augmented reality, the platform enables data-driven decision-making allowing the surgeon to perform personalized adjustments based on each patient's unique anatomy and biomechanics. These valuable insights are displayed through the NextAR Smart Glasses directly onto the operative field to give the surgeon enhanced visualization and control during the procedure. The increased level of data may provide more precision and could lead to improved patient outcomes.

NextAR is the first platform to offer personalized augmented reality solutions for both joint replacement and spine procedures. In line with Medacta's philosophy of healthcare sustainability, the NextAR platform is offered as a hardware system with limited capital investment and single-use instrumentation at a low cost per case and offers the ability to host software for multiple applications. The platform represents an optimal solution worldwide, particularly for US Ambulatory Surgery Centers (ASCs).

Moreover, NextAR Spine was awarded the 2022 Spine Technology Award from Orthopedics This Week, the second Medacta product to receive this prestigious honor after MySpine Platform, patient-matched technology.

7. PERSONALIZED MEDICINE

MINIMALLY INVASIVE TECHNIQUES

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

For example, in 2004, we 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 500'000 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.

Moreover, MIS MySpine MC 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. The goal of MIS MySpine MC is to maximize the fusion rate and the predictability of clinical outcomes, thus positively impacting patients' well-being.

PERSONALIZED SOLUTIONS

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

Moreover, leveraging the latest technological advances, we are committed to constantly developing innovative solutions to empower the surgeon's practice, enabling data-driven decisions to provide more personalized, accurate, and efficient procedures aiming at better patient satisfaction and outcomes. This has led us to design an advanced network of digital solutions to improve patient outcomes and healthcare efficiency – the MySolutions Personalized Ecosystem.

MYSOLUTIONS PERSONALIZED ECOSYSTEM

An advanced network of digital solutions designed to improve patient outcomes and healthcare efficiency

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. With more than 160'000 procedures performed worldwide, this constantly evolving platform is based on cutting-edge technologies fine-tuned in collaboration with an international network of expert surgeons. MySolutions Personalized Ecosystem is designed around the patient's needs and expectations, with the aim of delivering value throughout the entire patient journey. Surgeons' advanced 3D planning is at the core of our platform, followed by highly accurate execution tools such as patient-matched surgical guides, as well as an augmented-reality-based surgical platform and verification software. To improve the patient experience and support them during the continuum of care we set up a patient-optimized pathway tool. To let surgeons record and measure their clinical outcomes we offer a validated web-based archiving and analyzing system. Together with our comprehensive implant portfolio and surgical techniques, MySolutions Personalized Ecosystem empowers our holistic approach to personalized medicine.

PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

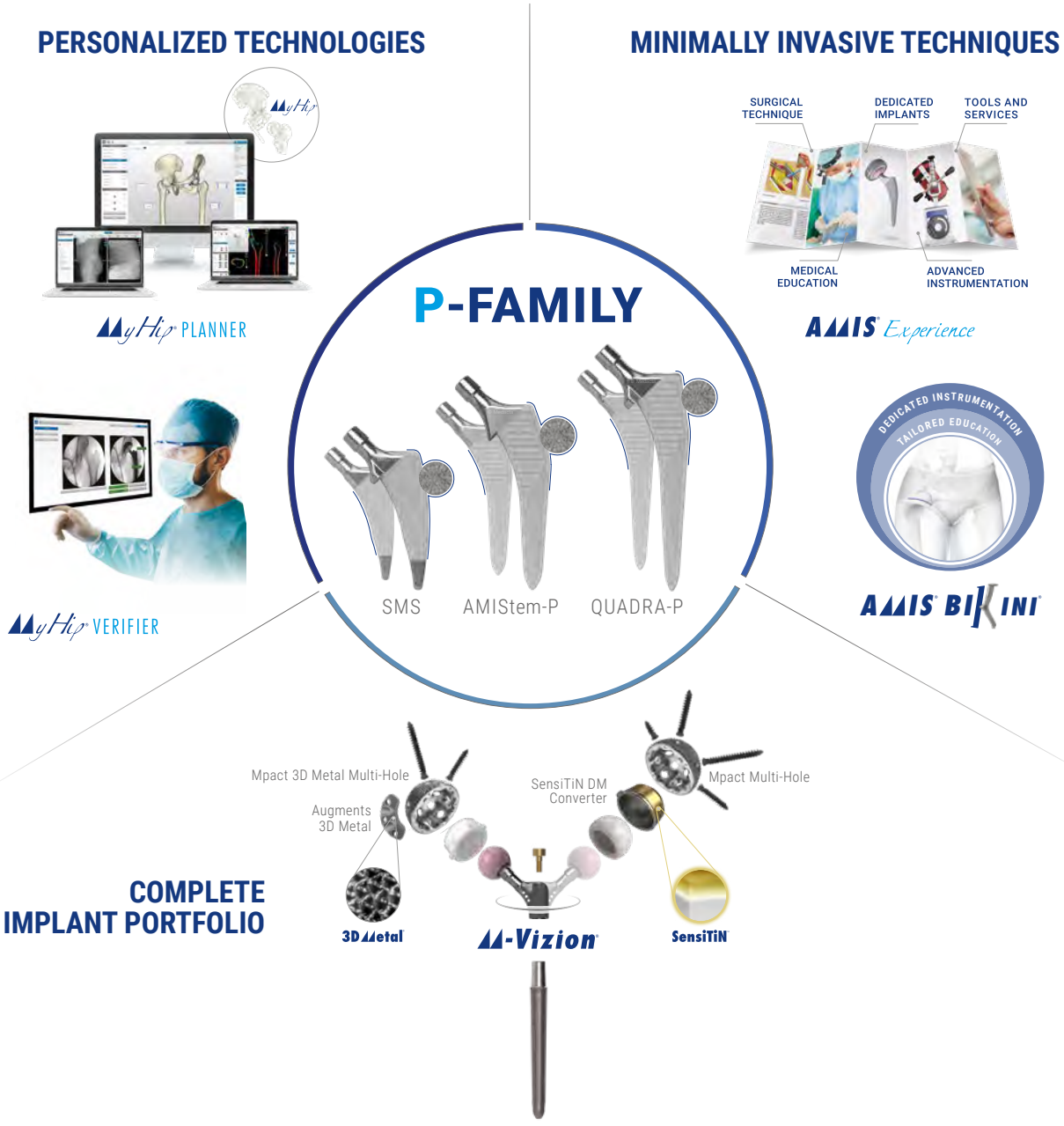
EFFICIENT CASE MANAGEMENT

8. BUSINESS LINES

8.1 HIP

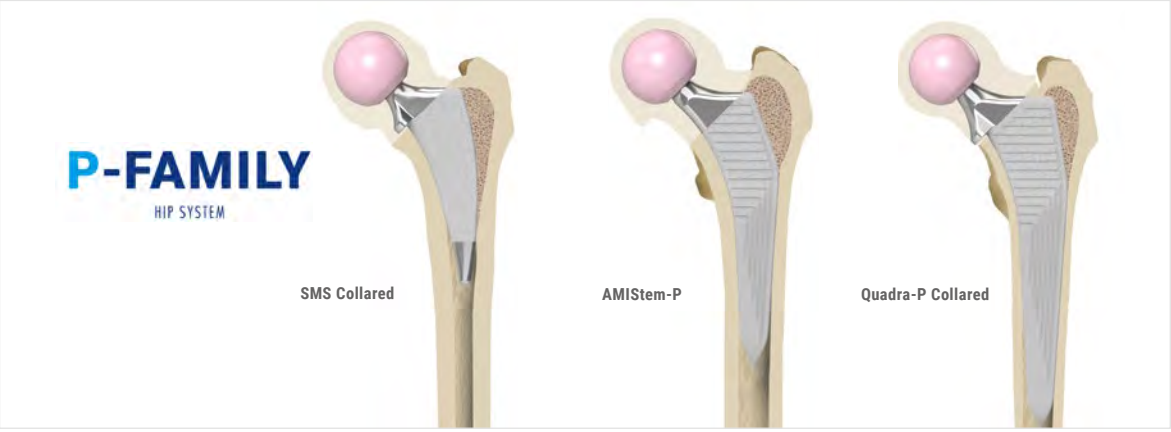
THE OVERALL HIP STRATEGY

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



THE MEDACTA P-FAMILY HIP SYSTEM

The Medacta P-Family Hip System, the core of our hip offering, is a comprehensive set of tapered rectangular stems, which includes Quadra-P, AMIStem-P, and SMS, all of which are designed to meet today's surgical challenges. While preserving the characteristics which are important to the success of existing systems, the P-Family was developed using innovative key features to bring solid clinical performance to the current landscape of total hip arthroplasty (THA). A state-of-the-art coating (MectaGrip) on the proximal portion is designed to enhance initial stability, due to its high coefficient of friction and long-term fixation, thanks to its open and interconnected pores, which create a favorable environment for bony fixation. Progressive neck lengths, 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 a comprehensive size range, give surgeons the ability to match an implant to the patient's current bone morphology. The stems of the P-Family were specifically designed for easier implantation when utilizing the AMIS approach.



MINIMALLY INVASIVE TECHNIQUES

Since our founding, we have become a pioneer in developing new offerings for hip replacement patients because of our minimally invasive surgical techniques, which are supported by our extensive surgeon training and education initiatives. Even if our hip implants can be used with a variety of surgical techniques, we encourage all surgeons to use the AMIS technique, which potentially delivers several advantages for the patient.[7,8,9,10] The AMIS technique, with over 500'000 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 provide excellent patient satisfaction scores. By following both an intermuscular and an internervous path, the AMIS technique potentially reduces the risk of damage to periarticular structures and can improve overall patient outcomes. The AMIS technique is complemented by a unique package of supporting products, including dedicated implants, specially designed instruments, and the AMIS Mobile Leg Positioner (a patented surgical table extension that allows for a simple and reproducible procedure), as well as a specifically trained sales force. We believe that the AMIS Education Program, developed with the aim of optimizing and standardizing the implementation of the AMIS technique, has contributed to making the AMIS technique a preferential and easily reproducible hip replacement surgical 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.

Our AMIS offering has been further enhanced by new packages that allow surgeons to take the anterior approach to the next level, such as the comprehensive AMIS Bikini 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.[11,12,13,14] This technique may also help lessen wound healing concerns in obese patients or patients with a large abdomen pannus.[11,12,13,14]

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.

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[9] Vasina PG, Rossi R, Giudice GM, Palumbi P. Hip arthroposthesis through the anterior minimally invasive approach. Sphera 2010;6(12) – Speciale Ortopedia.
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[11] 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 ".
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[13] 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.
[14] Manrique, MD, Paskey, BS a, Tarabichi, MD, Restrepo, MD, Foltz, PhD Hozack, MD. (2019) "Tota l Hip Arthroplasty Through the Direct Anterior Approach Using a Bikini Incision Can Be Safely Performed in Obese Patients". J Arthroplasty

PERSONALIZED TECHNOLOGIES

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

MyHip Planner is an intuitive and reliable 3D preoperative planning tool with advanced analytical features. It empowers the surgical decision-making process in defining the optimal surgical strategy for each patient. Starting from a CT scan, the MyHip Planner algorithm recreates a 3D model of the patient's anatomy. Thanks to its advanced 3D planning and functional assessment features, this software allows the surgeon to base the implant selection and position on the patient's anatomy, hip joint biomechanics, and functional performances. Surgeons could thus carry out evaluations and make accurate decisions specifically for each case, potentially helping anticipate possible complications, instability or impingement, and reduced range of motion. In 2022, we released a new MyHip Planner software version featuring spinopelvic analysis, which is a topic that has become increasingly in demand for better evaluating the relationships between hip and spine anatomical structures and optimizing mutual treatments for improving patient outcomes. In the same release, the possibility to request MyHip 3D printed patient-matched guides according to the elaborated planning has been integrated, further increasing the value of this tool. MyHip Verifier is an easy-to-use, non-invasive, fluoroscopy-based platform providing an intraoperative assessment of implant positioning. Engineered to seamlessly integrate into the surgeons' existing workflow and preserve operating room efficiency, MyHip Verifier allows for intraoperative fluoroscopy by providing a real-time numerical evaluation of the actual influence of implant positioning on the patient's anatomy.

PRIMARY IMPLANTS PORTFOLIO

Complementing the P-Family, our cementless stem portfolio includes MasterLoc and MiniMAX. With a tapered wedge femoral stem design, the MasterLoc Hip System is available in three versions (standard, lateralized, and lateralized plus), which allow for easier and more effective management of the patient's anatomy, completely independent from the leg length. This distinctive feature helps achieve good restoration of the hip joint biomechanics in nearly all patients. MiniMAX is an anatomical cementless stem engineered to provide the best fit and fill following the natural shape of the femoral canal. On the acetabular side, our solutions include among others, Versafitcup and Mpact System. Versafitcup is a complete system of elliptical cementless acetabular cups that share the same instrumentation, offering stability, as well as load and stress distribution. The Mpact System consists of hemispherical cementless acetabular cups that provide different solutions according to the patient's needs and can be used in primary and revision hip replacements. As part of our acetabular platform, in 2022 we released the new SensiTiN Double Mobility (DM) Converter, a high-nitrogen-stainless steel completely cobalt-free modular DM device with an outer Titanium Nitride coating (SensiTiN) to improve corrosion resistance. The SensiTiN DM Converter, which is compatible with both Versafitcup and Mpact System and available for both primary and revision procedures, provides a viable solution to address instability and risk of dislocation safely, still major challenges, and significant issues in hip replacement. We also offer a comprehensive cemented portfolio with femoral and acetabular solutions.

REVISION IMPLANTS PORTFOLIO

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

AMIS® Experience

MORE THAN AN ANTERIOR APPROACH

AMIS Experience is a complete platform uniquely complemented by a tailored education program and a comprehensive package of implants, instruments and digital solutions, to address the specific needs of patients, surgeons and care facilities. This minimally invasive approach has been widely embraced by the orthopedic community, and it has been chosen by surgeons to be used with more than 500'000 patients worldwide.

Not only simple surgeries, but also complex primary cases and revisions could be performed with AMIS. In the last 10 years the instrument set has become more and more efficient, and the AMIS offering has further evolved with the introduction of the Bikini platform and the no capsular release technique.

Dr. Frédéric Laude
France

The AMIS procedure completely revolutionized my surgical care for my arthritic hip patient population. Prolonged hospital stays, weight-bearing and position restrictions, and intense narcotic usage are historical remnants of antiquated surgical care. Instead, I offer patients the opportunity to go home on the same day of surgery, with no restrictions and no opioid pain medications. I have changed my technique, and my patients and I have benefited from it. It's a powerful win-win!

Tyler Goldberg, MD
United States

MORE THAN

500,000

WORLDWIDE PROCEDURES

8.2 KNEE

THE OVERALL KNEE STRATEGY

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

ADVANCED TECHNOLOGIES

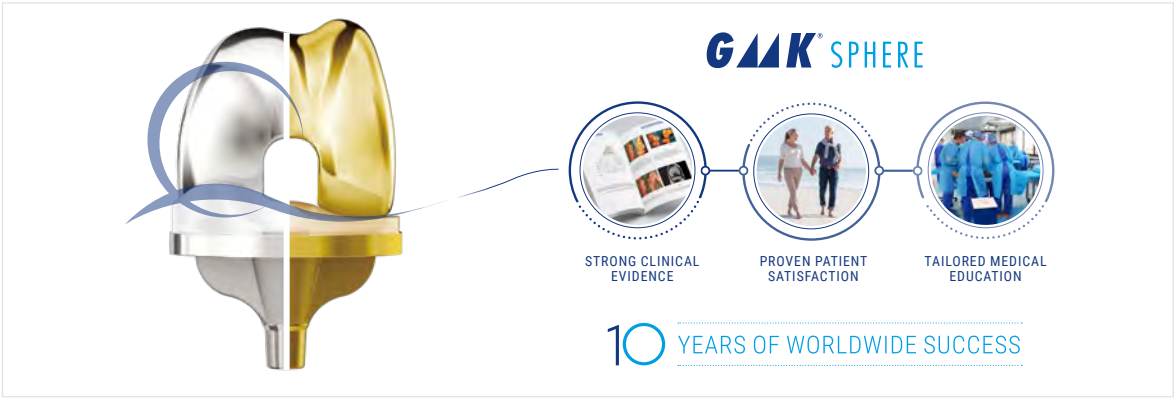
PERSONALIZED TECHNIQUES

COMPLETE IMPLANT PORTFOLIO

THE GMK SPHERE

Backed by a strong educational network of over 100 international experts, and 10 years of successful clinical experience, GMK Sphere is an innovative Ball-in-Socket Knee prosthesis designed to provide maximum functional stability while also restoring natural knee motion, with the purpose of improving patient comfort during everyday activities and reducing postoperative knee pain. The orthopedic community has welcomed this innovative implant, and surgeons have chosen it for more than 150'000 patients worldwide. According to the Orthopedic Data Evaluation Panel (ODEP) rating criteria, in 2022, GMK Sphere has been awarded 7A rating based on the evaluation of data pertaining to several thousand cases, which showed cumulative survivorship well in line with the required projection of more than 90% at 10 years.

Moreover, GMK Sphere highlights synergies with advanced material options providing surgeons with the possibility of tailoring the implant choice to the patient's needs. Mectagrip is Medacta solution for cementless application. It consists of a plasma sprayed titanium coating designed to enhance initial stability and potential long-term fixation[15,16]. E-CROSS is a highly crosslinked UHMWPE (Ultra-High Molecular Weight Polyethylene) blended with Vitamin E, a powerful antioxidant that improves oxidation resistance[17,18]. SensiTiN is a ceramic-like coating of titanium nitride, designed to reduce the release of metal ions. GMK Sphere has shown the potential to improve functional and patient-reported outcomes also when combined with Kinematic Alignment technique.



PERSONALIZED TECHNIQUES

MyKA is Medacta's platform for Kinematic Alignment, which is 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. Kinematic Alignment aims to custom-position the knee implant to the native joint line of the knee as it was in its pre-arthritic state, while preserving the surrounding tissues and ligaments. We offer the most comprehensive platform for Kinematic Alignment on the market: MyKA. It features the GMK Sphere, a particularly suitable implant for this technique that is supported by dedicated instrumentation designed to improve efficiency and reproducibility. It also includes MyKnee KA, an advanced technology that utilizes web-based 3D preoperative planning to kinematically align the implant through the use of 3D printed patient-specific instruments. Moreover, the platform includes tailored surgeon training and education initiatives supported by an established network of international experts. This platform is continuously enriched with new options and tools to further streamline surgeons' operative workflow. The evidence and the interest of the market for this personalized technique are constantly growing, and Medacta is leading the way in collaboration with the biggest experts worldwide.

ADVANCED TECHNOLOGIES

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

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

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

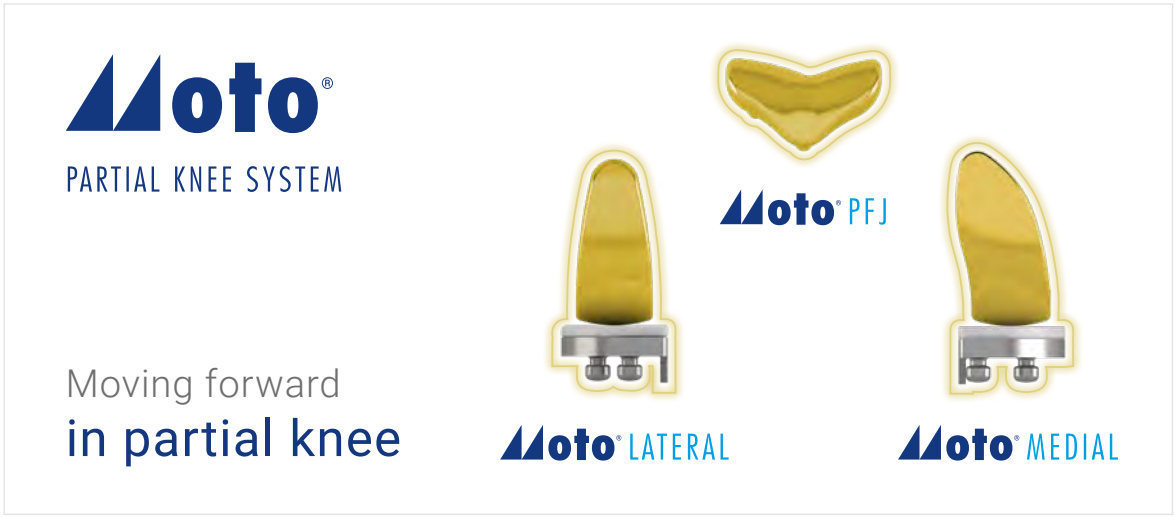
[18] Bracco P. et al., «Stabilisation of ultra-high molecular weight polyethylene with Vitamin E», Polymer Degradation and Stability 92, pp. 2155-2162, 2007.

PRIMARY IMPLANTS PORTFOLIO

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

PARTIAL IMPLANTS PORTFOLIO

For partial knee replacement, we offer GMK UNI and MOTO Partial Knee System. Both options allow surgeons to treat osteoarthritis localized on the medial or lateral compartment of the knee. In 2022, we added the MOTO PFJ, designed for the treatment of osteoarthritis localized in the patello-femoral compartment of the knee. With this new option, surgeons can now provide their patients with a full range of partial knee arthroplasty solutions to best treat their specific needs. The MOTO System was designed to accommodate the individual anatomy in order to achieve optimal coverage and fit and to provide correct and individualized balance and alignment at every step of the procedure with the potential of decreasing the incidence of loosening and progression of the disease. SensiTiN and E-CROSS advanced material options are available also for MOTO System, further completing Medacta partial knee replacement offering.



REVISION IMPLANTS PORTFOLIO

Our knee revision portfolio, the GMK Revision System, provides surgeons with a complete, modern, and versatile solution. It includes a semi-constrained implant, GMK Revision, and a totally constrained implant, GMK Hinge, which have been designed to preserve the joint functionality without dramatically altering its anatomy and kinematics, even in cases of severe ligament instability or severe bone loss. It features a unique-on-the-market technology for knee revisions, MyKnee R, the newest addition to our MySolutions Personalized Ecosystem. Beginning with a CT scan, our engineers create a 3D reconstruction of the patient's joint with a primary implant in situ. This reconstruction is then used to accurately plan the positioning of a new prosthesis from Medacta's comprehensive knee portfolio, ranging from a lower level of constraint to semi-constrained and fully constrained solutions. A set of 3D printed, patient-matched pin-positioning guides allows for guiding the implant removal and the positioning of the new implant.

In 2022, we announced the completion of the first revision surgeries in the United States using this game-changing solution to streamline total knee revision surgeries. The GMK Revision System also features a wide range of options with advanced materials. Indeed, we have further expanded the knee revision portfolio with SensiTiN-coated implants and the 3D Metal Cones for cavitary bone defects. 3D Metal is an advanced biomaterial structure, obtained by means of Medacta's in-house 3D printing technology, which is able to deliver maximized primary stability, as well as functional and structural connection with the bone for long-term fixation.

In 2022, the University of Bern published an interesting report of a clinical study on GMK Hinge highlighting impressive functional outcomes, particularly in terms of functionality, often perceived as the strictest limitation for a totally constrained implant[19].

[19]Hecker, A., Pütz, H.J.A., Wangler, S. et al. Indications, clinical outcome and survival of rotating hinge total knee arthroplasty in a retrospective study of 63 primary and revision cases. Eur J Orthop Surg Traumatol (2022). https://doi.org/10.1007/s00590-022-03349-1 Indications, clinical outcome and survival of rotating hinge total knee arthroplasty in a retrospective study of 63 primary and revision cases European Journal of Orthopaedic Surgery & Traumatology - The purpose of this study is to report and compare outcome data of both primary and revision cases using a rotating hinge knee (RHK).

AUGMENTED REALITY SURGICAL PLATFORM

DESIGNED TO IMPROVE PATIENT OUTCOMES WITH A PERSONALIZED KNEE SURGERY

NextAR Knee, Augmented Reality surgical application, empowers the surgeon's vision with unique real-time surgical guidance, during bone preparation and implant placement, superimposed onto the operative field to enhance precision and enable data-driven decision-making. 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. NextAR Knee with limited capital investment and low per-case disposable cost has the potential to provide significant benefits to the healthcare system.

This innovative solution supported me in creating an accurate plan for the surgery with the 3D model of the patient's knee, and in precisely executing it in the OR. Through the NextAR Smart Glasses, I indeed have access to the plan at every step of the procedure, enriched by real-time information on the soft tissues, allowing me to tailor the position of the implant to the patient's anatomy.

Dr. Med. Philippe Alves
Switzerland

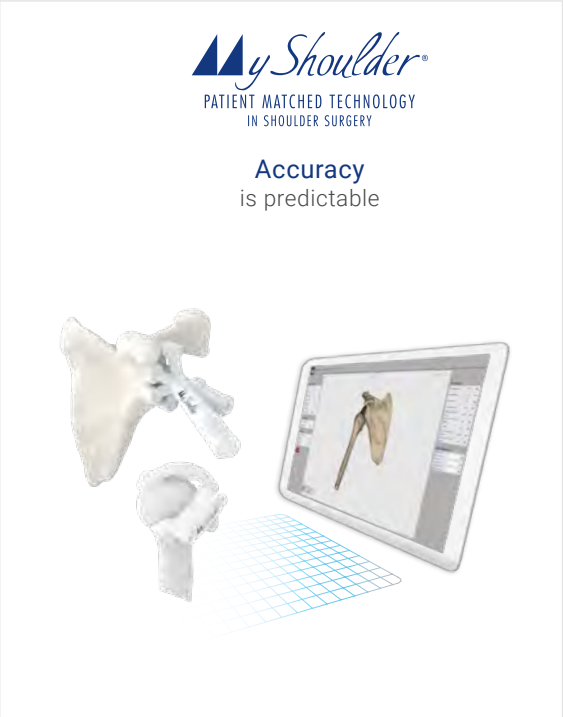
NextAR Knee allowed me to place the prosthesis extremely accurately. The NextAR Smart Glasses actually provide me with real-time information about the patient's knee, superimposed on the operative field. In a very intuitive way, I made very precise adjustments while not losing sight of the knee. The innovative soft tissue information also gave me the possibility to optimally balance the knee ligaments, which will feel more natural to the patient. After all, every knee is different in terms of ligaments: the more precise the adjustment, the better the result for the patient.

Dr. Geert Peersman
Belgium

8.3 SHOULDER

THE OVERALL SHOULDER STRATEGY

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



THE MEDACTA SHOULDER SYSTEM

The Medacta Shoulder System represents the core of our shoulder offering. Since the first successful surgery in December 2016, performed by Prof. Dr. med Ralph Hertel, in Bern (CH), we have recently announced the milestone of 15'000 Medacta Shoulder System devices implanted worldwide.

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

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

PERSONALIZED AND ADVANCED TECHNOLOGIES

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

NEXTAR™
AUGMENTED REALITY SURGICAL PLATFORM

DESIGNED TO IMPROVE PATIENT OUTCOMES WITH A PERSONALIZED SHOULDER SURGERY

NextAR Shoulder, Augmented Reality surgical application, empowers the surgeon's vision with unique real-time surgical guidance, during bone preparation and implant placement, superimposed onto the operative field to enhance precision and enable data-driven decision-making. NextAR Shoulder, with limited capital investment and low per-case disposable cost, has the potential to provide significant benefits to the healthcare system.

Technology in shoulder replacement surgery is always advancing, but never so rapidly as I have seen in recent years. I can now plan the surgery more precisely than ever before using three-dimensional CT scanning and software to make the best decisions regarding optimal implant configuration for each individual patient and their unique anatomy. The advantage of NextAR technology is in allowing me to precisely and accurately replicate my preoperative plan in real time, during surgery, without having to look away from my patient for navigation assistance. Once I have planned my optimal shoulder replacement strategy for my patient, I feel confident that NextAR will enable me to execute my plan even more accurately. Now that I have become comfortable using this technology, I can say that NextAR navigation is a real advantage for me during surgery, especially during complex cases.

John-Erik Bell, M.D.
United States

Accurate positioning of glenoid implants is still one of the most challenging steps during the procedure. The long-term survival of a reversed prosthesis is highly dependent on stable bone fixation and correct positioning of the glenoid components. Planning and virtual visualization of the positioning during the surgical procedure is already provided in the community. The step forward of this technology is the real transfer of the planning into the surgical procedure, defined as augmented reality, using intraoperative guidance. We think that NextAR Shoulder represents a great answer to this challenging next step. I am very happy to have participated in the development of this application, and even more so now that this innovative solution is also available in the complex ecosystem of shoulder arthroplasty.

Prof. Dr. med. Matthias Zumstein
Switzerland

8.4 SPINE

THE OVERALL SPINE STRATEGY

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

MINIMALLY INVASIVE DEGENERATIVE


MectaLIF Anterior


MectaLIF System


M.U.S.T. LT


M.U.S.T. SI


M.U.S.T. MC


MIS MySpine MC

CERVICAL


M.U.S.T. Mini


Mecta-C System


Mecta-C Stand Alone

DEFORMITY


M.U.S.T.


MySpine S2AI


MySpine Anchor


MySpine

ENABLING TECHNOLOGIES

Building on our proprietary MySolutions Personalized Ecosystem, our spine offering can improve surgeon and patient experience by leveraging our advanced and personalized intraoperative solutions, NextAR Spine Augmented Reality surgical application, and MySpine patient-matched technology. Using the most recent augmented reality advances, NextAR Spine empowers the surgeon's vision with unique real-time surgical guidance superimposed onto the operative field, thereby enhancing precision and enabling data-driven decision-making. NextAR Spine was awarded the 2022 Spine Technology Award from Orthopedics This Week, the second Medacta product to receive this prestigious honor after MySpine Platform, patient-matched technology.

MySpine provides surgeons with a complete platform of patient-matched 3D printed screw placement guides, to lead the surgeon through the critical steps of accurate pedicle screw placement whilst reducing the surgical time and intraoperative X-ray radiation reduced time and costs. The MySpine platform offers enabling solutions for cervical, thoracolumbar, and sacroiliac cases.

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

NEXTAR™
AUGMENTED REALITY SURGICAL PLATFORM

DESIGNED TO IMPROVE PATIENT OUTCOMES WITH A PERSONALIZED SPINE SURGERY

NextAR Spine, Augmented Reality surgical application, empowers the surgeon's vision with unique real-time surgical guidance, superimposed onto the operative field to enhance precision and enable data-driven decision-making. NextAR Spine, with limited capital investment and low per-case disposable cost, has the potential to provide significant benefits to the healthcare system.

As a designer, I leveraged Augumented Reality technology to improve accuracy and efficiency in spine surgery. After successfully handling more than 60 different cases within twelve months I can claim that NextAR Spine is a streamlined, easy-to-use, and versatile solution that can improve implants positioning with great accuracy, increasing safety and clinical outcomes for my patients.

Prof. Dr. Berhard Meyer
Germany

After acquiring the intraoperative images of the patient, I was surprised how fast and lean it was to set up the system; thanks to a very smart tracking system and the use of the AR glasses, I was able to successfully position the screws as planned.

Kevin J. McGuire, MD, MS
United States

CERVICAL PROCEDURE

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

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

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

DEFORMITY PROCEDURE

The Medacta deformity platform is a consolidated complete system designed to assist the surgeon in all the steps of the surgery. Our enabling technologies, NextAR Spine and MySpine platform ensure an accurate screw positioning in challenging anatomies, while the M.U.S.T. instruments provide several options for performing reduction and correction manoeuvres. The MectaLIF Anterior cages complete the offering for anterior cases.

After the recent introduction of the MySpine S2AI, in 2022, we extended the MySpine platform with the innovative MySpine Anchor patient-specific guides, to complete the treatment of challenging spine anatomies and reinforce the fixation, and therefore the stability, for long constructs. This solution allows surgeons to accurately implant M.U.S.T. Pedicle Screws and M.U.S.T. SI Headless Screws to anchor long constructs in complex spine cases, potentially improving the thoracolumbar fixation to help reduce lower back pain.

MINIMALLY INVASIVE DEGENERATIVE PROCEDURE

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

MIDLINE CORTICAL APPROACH

MIS MySpine MC, used in the midline cortical approach, allows posterior lumbar fusion to be carried out in a minimally invasive, muscle-sparing way, resulting in shorter operating times and a substantial reduction of radiation exposure while increasing efficiency compared to conventional free-hand or navigated lumbar fusion surgery. The goal of MIS MySpine MC is to maximize the fusion rate and the predictability of clinical outcomes, thus positively impacting patients' well-being.

M.U.S.T. MC (Midline Cortical) is a complete and flexible system which stabilizes and facilitates the fusion of the thoracolumbar spine and the sacrum. Besides MySpine MC, it features a dedicated retractor and distractor system offering superior performance in muscle tissue manipulation and vertebral distraction/compression maneuverers. This complete platform is further integrated by the cortical/cancellous screw threads, recently registered worldwide, which differentiate bone purchase, enhancing posterior fixation.

PERCUTANEOUS APPROACH

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. It is applicable in an extensive range of degenerative cases and offers an extended reduction capacity, a crucial aspect in lumbar spondylolisthesis or thoracic kyphosis restoration. The absence of Nickel, Cobalt, and Chromium makes M.U.S.T. LT a unique solution within the M.U.S.T. pedicle screw system, providing full spine fixation with 100% Titanium alloy constructs.

8.5 SPORTSMED

Our Sports Medicine business line started in 2016 with the aim of providing minimally invasive personalized procedures allowing patients to quickly return to their daily activities. Our engineers collaborated with an international team of expert surgeons to develop specific and innovative products for the treatment of ligament, tendon, and muscular injuries of the knee, hip, and shoulder. In 2022, we focused on new product development to expand our offering in the arthroscopic knee, shoulder, and hip surgery.

KNEE PORTFOLIO

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

In 2022, we developed new FairFix Adjustable Button configurations, aiming to cover different techniques (FairFix AM), graft types (FairFix QT) and improve tibial fixation for the M-ARS technique (FairFix PSP). These new devices are expected to obtain product registration and be ready for limited market release in 2023.

SHOULDER PORTFOLIO

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

In 2022 we focused on developing brand new instruments to facilitate the implantation of our suture anchors (MectaLock PEEK/C slotted aimers and MectaLock All-Suture aimers and punches) and a dedicated set of curved instruments for SnugFit All-Suture portfolio.

SUTURE PORTFOLIO

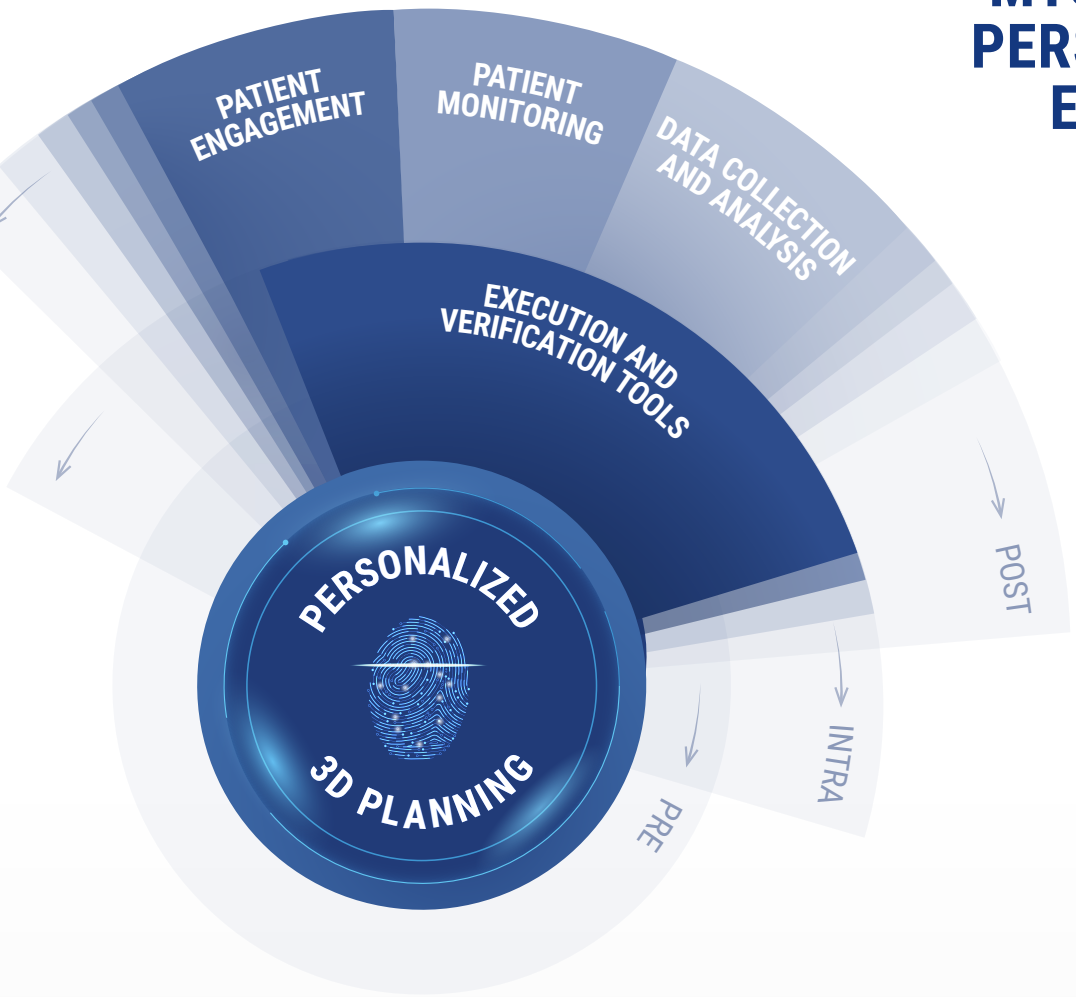
Within our suture portfolio, we cover multiple indications in shoulder, hip, and knee procedures. PowerSuture, our all-encompassing suture family, offers a wide variety of Ultra-High Weight Polyethylene sutures, tapes, whip-stitch loops, passing loops, and double-armed sutures featuring our Black Cobra needle (available in multiple configurations). PowerKnot High Strength Suture, 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.

HIP PORTFOLIO

Alongside many anchors (MectaLock Suture Anchor, MectaLock All-Suture anchors) and suture management devices (FastShuttle Suture Passer Family) shared with the shoulder product line, we also offer MectaFlip, the unique-on-the-market intra articular minimal invasive expander.

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

MYSOLUTIONS PERSONALIZED ECOSYSTEM



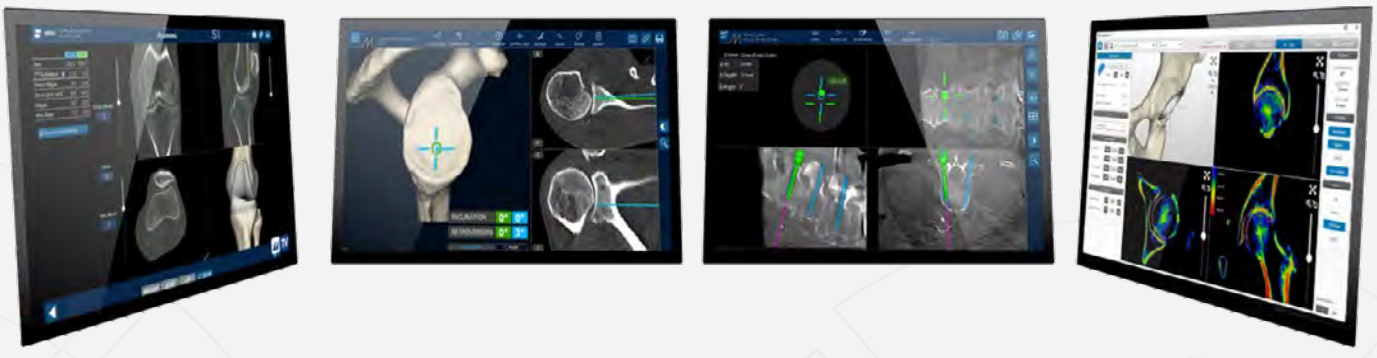
PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

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



Medacta International

CORPORATE GOVERNANCE REPORT

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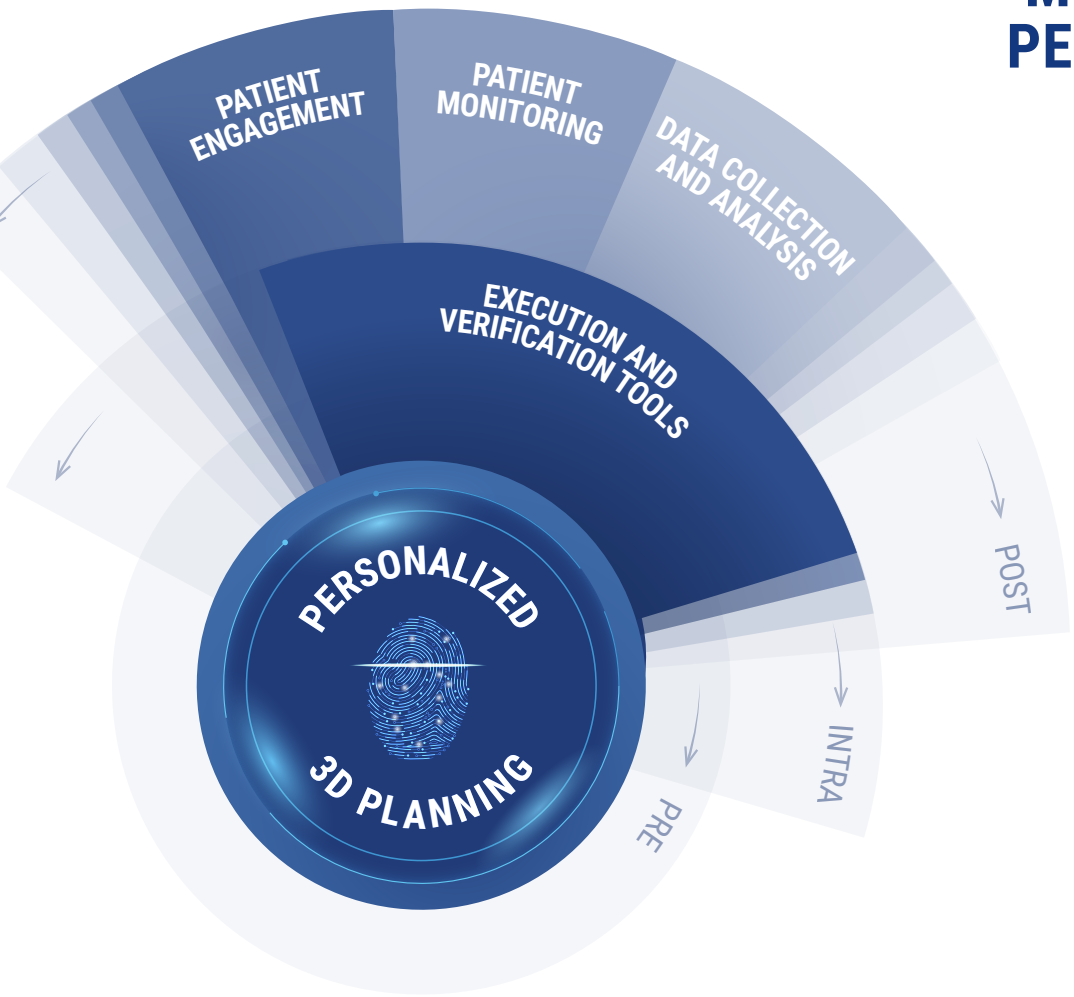
MYSOLUTIONS PERSONALIZED ECOSYSTEM



PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

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

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

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

At the AGM 2023, we will propose to amend the Medacta Group Articles of Association to reflect the new provisions of the Swiss Corporate law and to further strengthen shareholder rights.

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, 2022 was CHF 2.1 billion.

Our headquarters and production facilities are located in Castel San Pietro and Rancate, Switzerland, where we have approximately 837employees in the aggregate. The Group Executive Management is based at our headquarters in Castel San Pietro and Rancate, Switzerland and they are responsible for executing the decisions of the Board of Directors and implementing the strategy of the Group.

Medacta constitutes with only one segment which reflects the internal organizational and management structure used within the Group. The Chief Operating Decision Maker (CODM) for the segment is our Chief Executive Officer, Francesco Siccardi. Our CEO is supported by other members of our Group Executive Management, specifically the CFO and the 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 international branches in 12 countries. Our international branches are responsible for overseeing our salesforce, which consists of direct sales representatives and marketing employees, independent agents, and distributors in 41 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, 2022, 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/en/topics/corporate-reporting.html

SIGNIFICANT SHAREHOLDERS

To the best of our knowledge, the table below shows shareholders and shareholder groups owning or representing more than 3% of the voting rights of Medacta as of December 31, 2022. 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, 2022 as well as any reportable changes since the date thereof can also be found on the website of the Disclosure Office of the SIX Swiss Exchange, which also includes the individual reports of the significant shareholders: SIX Exchange Regulation.

Beneficial owner / persons that can exercise the voting rights at their own discretion [1]	Domicile/ Registered Office	Country	Direct Shareholders [2]	Number of shares	Percentage of shares and voting rights
• Alberto Siccardi [3]	Sonvico - Lugano	Switzerland	-	13'889'928	69.45%
• Maria Luisa Siccardi Tonolli [3]	Villa Luganese	Switzerland	-		
• Francesco Siccardi [3]	Morcote	Switzerland	-		
• Alessandro Siccardi [3]	Lugano	Switzerland	-		
• Artisan Partners Limited Partnership [4]	Milwaukee, WI	USA	-	989'901	4.95%

[1] Regarding collective investment schemes, the beneficial owner corresponds to the licensee.
[2] Regarding collective investment schemes, the direct shareholder corresponds to the collective investment scheme.
[3] The Family shareholders (as defined in the "Shareholders' agreement" section here below) comprise a group acting in concert within the meaning of art. 120 et seq. FMIA and its implementing ordinances. See SIX shareholder notification after December 31, 2020, dated January 6, 2021, processed by SIX on January 8, 2021 in relation to the Shareholders' agreement. See also "Shareholders' agreement" (below). As a single person, Alberto Siccardi owns 10.2% of shares and voting rights, Francesco Siccardi owns 19.8% of shares and voting rights, Maria Luisa Siccardi Tonolli and Alessandro Siccardi own 19.7% of shares and voting rights each. Also, section 6 "Ownership of shares and options" of the Remuneration Report, reports the exact number of shares owned by members of the Board of Directors or GEM.
[4] The persons that can exercise the voting rights at their own discretion is Artisan Partners Limited Partnership as derived from the latest shareholder notification dated 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, 2022, 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, 2020, 2021, and 2022 the share capital was composed of 20'000'000 registered shares with a nominal value of CHF 0.10 each.

2.4 SHARES AND PARTICIPATION CERTIFICATES

Medacta Group SA has no other categories of shares other than one category of registered shares entitled to one vote each. The share capital of the Company as of December 31, 2022 amounted to CHF 2'000'000 and is divided into 20'000'000 registered shares with a nominal value of CHF 0.10 each. The share capital is fully paid-up. The shares rank pari passu in all respects with each other, including, in respect of entitlements to dividends (if any), to a share in the liquidation proceeds in the case of a liquidation of the Company and to pre-emptive rights.

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

2.5 DIVIDEND-RIGHT CERTIFICATES

In 2022, Medacta Group SA did not issue any dividend-right certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

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

According to article 5 para. 3 of the Articles of Association, persons not expressly 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 on a discretionary basis decide to grant some exceptions to the above restrictions. In 2022, no such exemptions were granted.

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

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

2.7 CONVERTIBLE BONDS AND OPTIONS

As of December 31, 2022, 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, 2022, the Board of Directors consisted of five Members (including the Chairman and the Lead Independent Director), all of whom are Non-Executive Directors.

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

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

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

ALBERTO SICCARDI,

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

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, the Siccardi's family owned Bieffe Medital SPA, an Italian company operating in the medical device industry. Mr. Siccardi successfully developed and expanded Bieffe Medital internationally, thanks to a new technology which improved the quality and the cost of sterile fluids and then subsequently sold the business developed by Bieffe in many countries to Baxter Group in 1997.

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 orthopedic products.

MARIA LUISA SICCARDI TONOLLI,

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

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

Career Highlights: Mrs. Siccardi Tonolli joined Medacta International SA in 2002 and served as a Member of its Board of Directors from 2003 until 2014. In early 2018, Mrs. Siccardi Tonolli was elected as Member of the Board of Directors of Medacta Group SA to the Board of the Company upon its incorporation. Mrs. Siccardi Tonolli has served in various finance, controlling and treasury roles at the Group whilst continually balancing her work-life, balance commitments. She served as Head of Strategic and Corporate Finance from 2003 until 2014 and then as Vice-President Finance / Treasury Supervisor from 2011 until April 1, 2019. In this role she led the IPO process until the listing in the SIX Swiss exchange. Since the IPO, Mrs. Siccardi Tonolli has exclusively served as a Member of the Board of Directors with a key focus and passion on Group Corporate Sustainability. Mrs. Siccardi is founder and Vice President of Medacta for Life Foundation, centered around the realization of philanthropic initiatives and socially driven projects for the protection and assistance of children and young people. The initiatives of the Foundation can be grouped into three specific areas: development of new generation through My School Ticino (started in 2019), funding for medical missions and participation in social projects. Mrs. Siccardi Tonolli has been responsible for the Siccardi's Family Office for over 20 years where she heads the wealth management and global real estate. She served as a Member of the Board of Verve SA since 2000, a real estate company domiciled in Switzerland.

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

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

VICTOR BALLI,

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

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 and Sustainability Committees 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: Board of Directors member of Niederer Kraft Frey AG (Chairman of the Board of Directors and Managing Partner until March 2021); 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

Other main activities: Helsinn Group's Executive Chairman holds various roles in other companies in the healthcare sector in Switzerland and abroad. He is Group Vice-Chairman and Board Member of 3B Future Holding SA and Board Member of HAS Healthcare Advanced Synthesis in Switzerland. He is Chairman, CEO and Managing Partner of 3B Future Health Ventures in Monaco and Chairman and General Partner of 3B Future Health Fund I and II in Luxembourg. He is Co-founder and Board Member of Lyfebulb, USA, which promotes networking initiatives to support patients with chronic diseases and 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, 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 & Co. KGaA		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 Healthcare		USA	Board Member
	GSTS - Gui Sheng Tang Sinomedica Holding SA		CH	Board Member
	Lauro & Giavatto SA		CH	President
	3B Future Health Ventures Sarl		MC	Board Member
	3G Future SAM		MC	Board Member
	3B Future Health Fund II S.C.A.-Raif SICAV		LU	Board Member
		Conquer Cancer The ASCO Foundation	USA	Board Member
		Fondazione Gabriele e Anna Braglia	CH	Board Member
		Fondazione Nuovo Fiore in Africa	CH	Board Member
		Fondazione per la ricerca sul cancro nel Ticino	CH	Board Member

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

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

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

3.4 ELECTIONS AND TERMS OF OFFICE

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

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

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

At the annual shareholders' meeting 2023, 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 (each, a "Committee"): an Audit and Risk Committee and a Remuneration Committee (hereinafter named "Human Resources & Remuneration Committee" as modified and approved during the Board of Directors Members on May, 18 2022), 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 2022 in March 2023.

TASKS OF THE LEAD INDEPENDENT DIRECTOR

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

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

WORKING METHODS OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS MEETINGS 2022

In 2022, the Board of Directors met nine times, both in video conference and in presence, for an average duration of two hours. The CEO along with the other members of the Group Executive Management attended each of the nine Board meetings in 2022.

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

Date	Attendees	Other Attendees
19.01.2022	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management (All) Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
10.03.2022	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management (All) Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
04.04.2022	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management: Francesco Siccardi Alessandro Siccardi Luigi Tonolli (Senior Strategic Financial Advisor) Asif Hussain (Group HR Director)
18.05.2022	Board of Directors: Alberto Siccardi Maria Luisa Siccardi Tonolli Victor Balli Philippe Weber Daniel Müller (Deputy Secretary)	Group Executive Management (All) Gianna La Rana (IR) Luigi Tonolli (Senior Strategic Financial Advisor)
28.07.2022 *(two meetings)*	Board of Directors: Alberto Siccardi Maria Luisa Siccardi Tonolli Riccardo Braglia Philippe Weber Daniel Müller (Deputy Secretary)	Group Executive Management (All) Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR)
08.09.2022	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management (All) Luigi Tonolli (Senior Strategic Financial Advisor) Gianna La Rana (IR) Antonio Di Brino (VP of Finance and Tax)
19.10.2022	Board of Directors (All) Daniel Müller (Deputy Secretary)	Group Executive Management (All) Luigi Tonolli (Senior Strategic Financial Advisor) Asif Hussain (Group HR Director) Antonio Di Brino (VP of Finance and Tax)
15.12.2022	Board of Directors (All) Donato Cortesi (Secretary) Edoardo Buzzi (Deputy Secretary)	Group Executive Management (All) Luigi Tonolli (Senior Strategic Financial Advisor)

The key topics of the Board of Directors in 2022 included, among other things:

- 2021 full-year and 2022 half-year unaudited top-line figures;
- performance review 2021 and outlook 2022;
- competitors' performance overview;
- approval of updated Internal Control Framework Matrix;
- information on related party transactions policy in place;
- report on energy situation and systems of the most important suppliers;
- Management Report, Statutory Financial Statements and Consolidated Financial Statements for the financial year 2021 and proposal to AGM for approval;
- approval of the Remuneration Report 2021 and proposal to AGM for consultative vote;
- approval of proposal to AGM for appropriation of available retained earnings as of December 31, 2021, and proposal to AGM of distribution of ordinary dividend and of capital contribution reserves:
  - proposal of appropriation of available retained earnings and dividend distribution;
  - proposal of appropriation and distribution of reserves from capital contribution;
  - approval of Ex-date, Record date and Value (payment) date for distributions of dividend and capital reserves;

- approval of proposal to AGM for discharge to the Board of Directors and discharge to the Group Executive Management;
- approval of proposal to AGM for re-election of the members of the Board of Directors and of the President of the Board;
- approval of proposal to AGM for re-election of the members of the Remuneration Committee;
- approval of proposal to AGM for re-election of the Independent Proxy Holder;
- approval of proposal to AGM for re-election of the Auditors;
- approval of proposal to AGM for remunerations to the members of the Board of Directors;
- approval of proposal to AGM for the maximum aggregate amount of remuneration for the members of the Board of Directors for the period AGM May 2022 to AGM 2023;
- approval of proposal to AGM for the remuneration of consulting services provided by the members of the Board of Directors for the period AGM May 2022 to AGM 2023;
- approval of proposal to AGM for the maximum aggregate amounts of remunerations to the members of the Group Executive Management;
- approval of proposal to AGM for the maximum overall fixed compensation of the Executive Management that may be paid in 2023;
- approval of proposal to AGM for the maximum overall variable short-term compensation for the Executive Management for the most recently concluded financial year (i.e. 2021);
- approval of proposal to AGM for the maximum overall variable long-term compensation of the Executive Management that may be allocated in 2023;
- approval of Annual General Meeting procedures;
- approval of Investors' Presentation and Press Release;
- changes of significant shareholders;
- approval of the Group 3-years business plan (basis for LTIP EBIT performance target and for impairment tests of in-progress R&D projects);
- change of Article 19 of Regulations of Long-Term Incentive Plan (LTIP) and approval of adapted LTIP Regulations (Performance Share Plan Regulations);
- confirmation of market conditions to execute Group LTIP grant and grant's date;
- performance targets approval and confirmation of eligible persons of the Group LTIP;
- performance targets approval of the 2022 Group Executive Management short-term incentives;
- approval of GEM remuneration;
- preliminary Investor Relations Active Plan 2023;
- review of Board of Directors self-assessment;
- update on ESG reporting and on 2021 Sustainability Report;
- approval of 2021 Sustainability Report;
- updates on litigations;
- approval of the 2023 financial calendar and proposal of the 2024 financial calendar;
- approval of press releases and investors presentations;
- presentation and approval of budget 2023;
- industrial projects and industrial long-term plan review;
- updates from ARC and HR&RemCo Committees.

COMMITTEES AND WORKING METHODS OF THE COMMITTEES

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

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

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

AUDIT AND RISK COMMITTEE

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

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

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

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

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

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

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

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

- approving the Company's Group treasury policy, and reviewing the Company's funding strategy and position, as well as the Company's liquidity risk management, foreign exchange risk management, interest risk management and counterparty credit risk management processes;
- reviewing the Company's tax planning and tax compliance processes, including the design and implementation of transfer pricing guidelines;
- reviewing the status of material legal proceedings that the Company is party to, including measures taken by management to protect the interests of the Company;
- reviewing the Company's insurance programs;
- reviewing the Company's enterprise risk management system, management's assessment of the Company's major risks, as well as evaluating the respective measures taken by the Group;
- reviewing of the Group's short-term incentive and long-term incentive targets, calculations and adjustments; and
- generally assessing the yearly business expenses of the Members of the Group Executive Management.

The Audit and Risk Committee met four times, both in presence and in video conference meetings, for an average duration of two hours in 2022. The key topics included, among other things:

- review and approval of the 2021 Consolidated Financial Statements, Statutory Financial Statements and related Annual Management Report;
- review of the external auditor including management letter for year 2021;
- review of the appropriation of earnings for 2021 and distribution of dividend and of capital contribution reserves;
- proposal to the Board for the approval of the annual accounts and appropriation of earnings;
- update on material legal proceedings and / or relevant compliance matters;
- update on non-financial reporting (ESG) for 2021 and beyond;
- assessment of independence and performance of auditors;
- review of the Risk control matrix and internal control framework and future procedures for the year 2022;
- risk management: Cyber Security, Transfer Price study annual update, development plan of financial reporting system, transactions with related parties;
- update from Deloitte in Audit plan for financial statements 2022.

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

Date	Attendees	Other Attendees
09.03.2022	Audit and Risk Committee (All)	Alberto Siccardi (Chairman of the Board)
	Daniel Müller (Deputy Secretary)	Riccardo Braglia (Member of the Board)
		Francesco Siccardi (CEO)
		Corrado Farsetta (CFO)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Deloitte SA - Fabien Lussu; Michele Castiglioni
18.05.2022	Audit and Risk Committee (All)	Alberto Siccardi (Chairman of the Board)
	Daniel Müller (Deputy Secretary)	Philippe Weber (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Corrado Farsetta (CFO)
		Luigi Tonolli (Senior Strategic Financial Advisor)
07.09.2022	Audit and Risk Committee (All)	Alberto Siccardi (Chairman of the Board)
	Daniel Müller (Deputy Secretary)	Philippe Weber (Member of the Board)
		Riccardo Braglia (Member of the Board)
		Francesco Siccardi (CEO)
		Corrado Farsetta (CFO)
		Deloitte AG- Fabien Lussu; Michele Castiglioni
		Filippo Cappelli (Head of IT)
15.12.2022	Audit and Risk Committee (All)	Alberto Siccardi (Chairman of the Board)
	Donato Cortesi (Secretary)	Philippe Weber (Member of the Board)
	Edoardo Buzzi (Deputy Secretary)	Riccardo Braglia (Member of the Board)
		Group Executive Management (All)
		Deloitte SA - Fabien Lussu; Michele Castiglioni
		Antonio Di Brino (VP of Finance and Tax)

HUMAN RESOURCES & REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

The Human Resources & Remuneration Committee met six times both in presence and in video conference meetings, for an average duration of one hour and half in 2022.

The key topics included, among other things:

- approval of the Remuneration Report 2021 and proposal to the Board for approval;
- approval of adapted LTIP Regulations (Performance Share Plan Regulations);
- approval of proposal to the Board of Directors for remunerations to the members of the Board of Directors;
- approval of proposal to the Board of Directors for the maximum aggregate amounts of remunerations to the members of the Group Executive Management;
- performance targets approval of the 2022 Group Executive Management short-term incentives and proposal to the Board for approval;

- approval of the Group Long-Term Incentive Plan (LTIP) subject to approval of the 3-years business plan by the Board and proposal to the Board to approve the LTIP;
- review and approval of individual remunerations of other GEM members and proposal to the Board for approval;
- change of Article 19 of Regulations of Long-Term Incentive Plan (LTIP) and approval of adapted LTIP Regulations (Performance Share Plan Regulations);
- review of Succession Plan for key employees;
- Equal-Pay analysis;
- review of benchmarking on Group Executive Management remuneration 2022;
- update on the Group's Organization Chart.

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

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

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

Date	Attendees	Other Attendees
09.03.2022	HR&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 (Group HR Director)
		Antonio Di Brino (Head of Finance and Compliance)
04.04.2022	HR&Remuneration Committee (All)	Alberto Siccardi (President of the Board)
	Daniel Müller (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Victor Balli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (Group HR Director)
18.05.2022	Philippe Weber (HR&Remuneration Committee)	Alberto Siccardi (President of The Board)
	Daniel Müller (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Victor Balli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (Group HR Director)
07.09.2022	HR&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 (Group HR Director)
19.10.2022	HR&Remuneration Committee (All)	Alberto Siccardi (President of The Board)
	Daniel Müller (Deputy Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
		Victor Balli (Member of the Board)
		Francesco Siccardi (CEO)
		Corrado Farsetta (CFO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (Group HR Director)
		Antonio Di Brino (VP of Finance and Tax)

15.12.2022	HR&Remuneration Committee (All)	Alberto Siccardi (President of The Board)
	Donato Cortesi (Secretary)	Maria Luisa Siccardi Tonolli (Member of the Board)
	Edoardo Buzzi (Deputy Secretary)	Victor Balli (Member of the Board)
		Francesco Siccardi (CEO)
		Alessandro Siccardi (Supply Chain Director)
		Luigi Tonolli (Senior Strategic Financial Advisor)
		Asif Hussain (Group HR Director)
		Antonio Di Brino (VP of Finance and Tax)

3.6 AREAS OF RESPONSIBILITY

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

The Board may take decisions on all matters that are not expressly reserved to the shareholders' meeting or to another corporate body by law, by the Articles Of Association or 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 Human Resources & Remuneration Committee, single Board Members or the Group Executive Management from time to time.

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

- overall management and issuing of related directives;
- determine the organization, in particular, to adopt, regularly revisit and amend 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 various process flows in place to oversee, monitor and control the implementation of the Group's strategy as well as the execution of the responsibilities delegated to the Group Executive Management. The Group Executive Management reports regularly to the Board of Directors and its Committees. The CEO regularly informs the Board of Directors on the status of current business matters and financial results, presents relevant strategic initiatives as well as major business transactions. For extraordinary matters including significant unanticipated developments, the CEO is obliged to immediately report to the Chairman according to section 2.1.4 of the Organizational Regulations.

During the course of 2022, the Group Executive Management attended each meeting of the Board of Directors and provided comprehensive business updates.

According to section 6.6 of the Organizational Regulations, the CFO, in cooperation with the CEO, ensures good financial governance, overseeing all financial planning, budgeting (short- and mid-term), reporting and risk management activities. Furthermore, the CFO leads the implementation of systems and procedures to seek to ensure compliance with regulatory requirements for financial information, reporting, disclosure requirements, and internal control. On a quarterly basis, the Board of Directors receives a Financial Report with the profit and loss statement, the balance sheet, and the cash flow statement, as well as a summary of the business performance, updates on various initiatives and outlook. Telephone conferences are held, as required, between Board Members and the Group Executive Management. Furthermore, each Member of the Board of Directors may request information on all matters concerning the Group at any time. The Board of Directors is also responsible for the Group's internal control system, which provides the ultimate oversight for Medacta's strategy, operations and finances. The internal control system of Medacta is structured to ensure the correct disclosure and adequate coverage of control over all Group activities, with particular attention on areas considered potentially at risk, such as risk management process throughout the entire lifecycle of Medacta medical devices and financial reporting risks associated to external requirements. Each Board Member is entitled to request information concerning all affairs of the Company and the Group reasonably necessary to fulfil their fiduciary duties. In 2022, 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 identified by the Enterprise Risk Management framework that was approved by the Board of Directors in December 2022. Notable Enterprise Risk Management updates in 2022 have included the geopolitical influences on supply chain and energy security, inflation, new Swiss ESG reporting regulations, expansion of Medacta International warehousing operations in the United States, and mitigations to reduce residual risks associated with human resources.

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

In addition, Medacta has developed, implemented and maintains quality management systems that meet all relevant medical device industry standards with certification according to ISO 13485 (the global standard for medical device quality systems), and MDSAP (Medical Device Single Audit Program), which certifies Medacta to the major global medical device quality regulations of the US FDA, Japan, Australia, Brazil, and Canada in combination with ISO 13485, ensuring high quality products, processes, and related customer support. As of December 31, 2022, our quality function comprised 17 quality assurance professionals, who are responsible for ensuring our corporate activities are conducted under compliant, effective, and well-documented processes, and 31 quality control professionals, who are responsible for ensuring all components and associated processes fully conform with the specified requirements.

3.8 COMPLIANCE AND QUALITY ASSURANCE

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

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

4. GROUP EXECUTIVE MANAGEMENT

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

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

4.1 MEMBERS OF THE GROUP EXECUTIVE MANAGEMENT

The Group Executive Management is headed by the CEO and currently comprises three Members, specifically the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the 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. In 2020 he also completed a Supply Chain Course at the SDA Bocconi School of Management, Milan.

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

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

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

4.4 MANAGEMENT CONTRACTS

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

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

6. SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING RIGHTS, RESTRICTIONS AND REPRESENTATION

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

Persons acquiring registered shares shall on application be entered in the Share Register without limitation as shareholders with voting rights, provided they expressly declare themselves 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 2022, 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 does not need to 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 sets 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 19, 2022, 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 9, 2022 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, 2022. The results and findings of this report are also discussed in detail with the CFO approximately one week before the Auditor Committee meeting. During 2022, 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 AUDITORS' FEES

(Euro thousand)	31.12.2022	31.12.2021
Annual audit fees	459	435
AUDIT FEES	**459**	**435**
Tax*	75	111
Other Services	8	20
NON-AUDIT RELATED FEES	**83**	**131**
TOTAL	**542**	**566**

* 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 from December 31 balance sheet date. In addition, results for the first half of each fiscal year are released in electronic form within three months 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:	https://www.medacta.com/EN/financial-calendar
Financial calendar:	https://www.medacta.com/EN/financial-calendar

APRIL 27, 2023:	Annual General Meeting
JULY 28, 2023:	Publication of 2023 Half-Year Unaudited Top-line Figures
SEPTEMBER 22, 2023:	Publication of 2023 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 19, 2022.

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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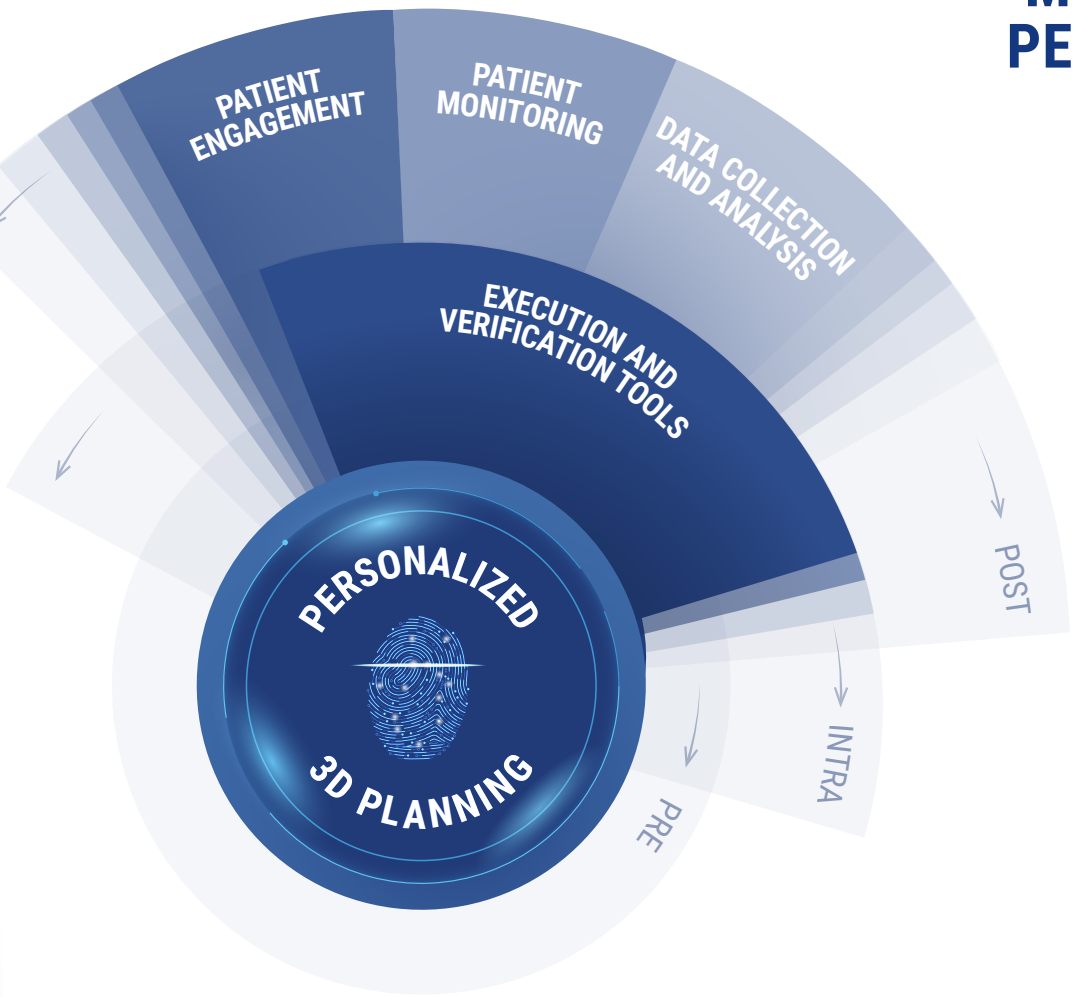
MYSOLUTIONS PERSONALIZED ECOSYSTEM



PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

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

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

I am proud of the results achieved in the last few years to align Medacta's compensation incentive with shareholder's interest and I am thrilled for the initiatives that Medacta is developing to attract, engage, and retain talents.

Dear Shareholders,

I am pleased to introduce Medacta's Remuneration Report for the Financial Year ending December 31, 2022. This report explains our remuneration system, its governance and how Medacta's 2022 performance affected Group Executive Management compensation. We continue our commitment to transparent reporting which I believe builds the basis for a successful relationship with all Medacta's stakeholders.

Despite the challenging geopolitical and economic market condition, the results reached in the Financial Year 2022 proved the resilience and ability to adapt by our People. Integrity, trust, results orientation, teamwork and loyalty are all values that define our #beMedacta culture which is a key contributor for our sustainable and continued success. Medacta continued executing its strategy, with an impressive 20.4% top line growth rate as compared to the previous year period. Our expansion allowed to retain all our employee positions worldwide and add 196 jobs in critical areas to ensure company's ability to execute our value creation strategy. In 2022, our global workforce expanded 14.6% and our total expenditure on compensation, benefits and social costs increased in average by approximately 19.8% while the compensation per employee increased by 5.0%, given the higher amount of experienced staff hired to strengthen the organization and sustain the growth.

During the Financial Year, the Remuneration Committee renamed itself into "Human Resources & Remuneration Committee" or "HR & RemCo" primarily to brand the broader scope of this committee. The HR & Remco continued to evaluate our remuneration systems and programs with the aim of further aligning our incentive plans with Medacta's business strategy and shareholders' interests.

In 2022, we took the opportunity to review Medacta's strategic plans in attracting, engaging, and retaining talents. We reviewed and discussed initiatives with Management to develop comprehensive and competitive compensation strategies and recognition schemes establishing a culture of learning and growth for our people which is aligned to our employees and organizational needs. To this end, we continued adopting our 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. In 2021, we enhanced the remuneration structure

introducing a Long-Term Incentive Plan which was also approved by the Board of Directors in March 2022 providing existing and new eligible Medacta employees with an opportunity to participate in the future long-term success and prosperity of the Group.

In Switzerland, during the second half of 2022, we conducted the legally required equal pay analysis, confirming Medacta's compliance with the requirements set out in Art. 13d of the Gender Equality Act (GEA) and Art. 7 of the Ordinance on the Examination of the Equal Pay Analysis. The analysis complied with the GEA guidelines as it was validated by Deloitte SA on the analysis methodology and results. The results of the analysis showed no material effect of gender on pay in our Switzerland-based entities, which we believe reflects our culture and practices. In addition, to ensure that compensation packages are competitive, we benchmarked GEM compensation individual components with peers that are either focused on the orthopedic industry and/or with small to mid-capitalization. This review reassured us that our compensation model is attractive, and it will remain stable in 2023.

In accordance with the **Articles of Association**[1], at the annual shareholders' meeting in April 2023, 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 2024. In addition, the shareholders will be asked to approve (i) the maximum overall fixed compensation of the Group Executive Management in 2024, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in 2022, and (iii) the maximum overall variable long-term compensation of the Group Executive Management that may be allocated in 2024. Finally, the annual shareholders' meeting will approve the amount of remuneration to Board Members for consulting services in a function other than Board Members until the next annual shareholders' meeting as well as cast a consultative vote on this Remuneration Report. In order to reflect the new provisions of the Swiss Corporate law and to further strengthen shareholders' rights, the Board of Directors will propose to amend the Medacta Group Articles of Association at the AGM 2023.

As always, we encourage and pursue open and regular dialog with our shareholders and their representatives to drive valuable improvements in our compensation system and practices. We hope that you find this report informative, and we remain confident that our compensation system aligns well with our stakeholders' interests. Finally, I would like to acknowledge and thank Medacta's Management and my fellow committee member, Riccardo Braglia for their diligence and service throughout the year.

Philippe Weber
Chairman of the Human Resources & Remuneration Committee

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

1. INTRODUCTION

This Remuneration Report is in compliance with the requirements of the Ordinance against Excessive Compensation in Publicly Listed Companies (OaEC) transposed into the revised Swiss Code of Obligations art. 732 et seqq (that entered into force on January 1, 2023), Medacta's **Articles of Association** and, with respect to compensation disclosure, to the SIX Exchange Regulation Directive on Corporate Governance and to the Swiss Code of Best Practice for Corporate Governance. We structured this report by first describing the Remuneration Governance of the Group followed by the Remuneration philosophy and principles and the Compensation Framework for Board of Directors and Group Executive Management (GEM). We conclude with reporting the Ownership of Shares and Options, the other compensation-related information under the 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 (hereinafter re-named either "Human Resources & Remuneration Committee" or "HR & RemCo" as approved by the Board of Directors Members on May 18, 2022) 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 Human Resources & Remuneration Committee serves in an advisory capacity for remuneration matters while the Board of Directors retains the ultimate decision authority, all within the limits set by the Annual General Meeting (AGM), which approves the maximum aggregate amounts of remuneration for the Board of Directors and the Group Executive Management at each shareholders' meeting.

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

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

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

- **Approval of remuneration by the AGM (article 12):** the annual shareholders' meeting votes separately and bindingly on the proposals by the Board of Directors regarding the aggregate amounts of (a) the compensation of the Board of Directors for the term of office until the next shareholders' meeting and (b) (i) the maximum overall fixed compensation of the Group Executive Management in the subsequent business year, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in the previous business year, and (iii) the maximum overall variable long-term compensation of the Group Executive Management that may be allocated in the subsequent business year.
- **Principles of remuneration of the Board of Directors (article 25):** the compensation may consist of a fixed base fee (including a lump sum compensation for expenses) paid in cash and/or awarded in shares (depending on the function in the Board of Directors, the number of committee activities and the functions in the committees). In exceptional cases, the Members of the Board of Directors may be awarded performance-related compensation.
- **Principles of remuneration of the Group Executive Management (article 26):** the compensation of the Members of the Group Executive Management may consist of a fixed compensation paid in cash (which consists of a base salary and can also contain other compensation elements and benefits); a variable short-term compensation paid in cash and/or shares; and variable long-term compensation paid in shares or equity-linked rights.
- **Short-term variable compensation and long-term compensation plans (article 26):** the short-term variable compensation is paid in cash and/or shares and depends on the level of achievement of specific pre-defined targets for a one year performance period; the long-term compensation approved by the Board of Directors is intended to incentivize Members of the Group Executive Management, selected key managers and employees to support the long-term performance of the Company and creation of shareholder value.
- **Loans and credits (article 28):** Medacta shall not grant loans, credits, pension benefits other than from occupational pension funds or securities to the Members of the Board of Directors or the Group Executive Management[2].
- **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.

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

2.1 ROLE AND ACTIVITIES OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

Medacta's Human Resources & Remuneration Committee is comprised of a minimum of two Members of the Board of Directors who are elected annually and individually by the AGM for a one-year period until the next AGM. The Chairman of the HR & RemCo is appointed by the Board of Directors and is independent. The 2022 Annual General Meeting (AGM) confirmed Philippe Weber and Riccardo Braglia as respectively Chairman and Member of the HR & RemCo. The

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

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

Chairman of the Board from time to time attends the HR & RemCo meetings as a non-voting guest; however, he is not present during meetings or parts thereof during which his own performance or remuneration is discussed.

In general, the purpose of the Human Resources & Remuneration Committee is to advise and assist the Board of Directors with regards to compensation-related matters of Medacta with a focus on setting guidelines on remuneration for both Members of the Board of Directors and the Group Executive Management. As a core responsibility, the HR & RemCo makes proposals annually (or more often as required) to the Board of Directors related to the compensation package of the Members of the Group Executive Management and Board of Directors. For a more detailed overview of the Members, working methods and main duties and responsibilities of the HR & RemCo, as well as details regarding their meetings held in 2022, please refer to the sub-heading entitled "Human Resources & Remuneration Committee" in the Corporate Governance Report (section 3.5 "Internal Organizational Structure"), included in this Annual Report.

The HR & RemCo meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings and at least four times per year. The HR & RemCo met six times in 2022 for an average duration of one hour and a half. In five out of the six HR & RemCo meetings all Members were present and five out of the six meetings were organized in person at Medacta's Swiss corporate offices either in Castel San Pietro or Rancate.

The Chairman of the Human Resources & Remuneration Committee reports to the Board of Directors at the Board meetings following each Human Resources & Remuneration Committee meeting, ensuring that the Board of Directors is kept informed in a timely and appropriate manner of all material matters within the Human Resources & Remuneration Committee's area of responsibility. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Human Resources & Remuneration Committee Member. The Human Resources & Remuneration Committee may invite to meetings and shall communicate periodically with the CEO, the CFO and the Head of HR, as well as such other persons as the Human Resources & Remuneration Committee deems appropriate, also including external advisors. During Financial Years 2021 and 2022, the Human Resources & Remuneration Committee and selected Medacta's managers appointed by the Human Resources & Remuneration Committee (Group HR Director and Senior Strategic Financial Advisor) worked with HCM International Ltd. as external independent advisor on remuneration matters and on assisting the development of the Long-Term Incentive Plan scheme. HCM International Ltd. does not have any additional mandates at Medacta. Furthermore, the Human Resources & Remuneration Committee regularly holds private sessions with Members of the Group Executive Management, except on those meetings or the part of meetings in which their own performance or remuneration is discussed.

In accordance with the article 19 of the **Articles of Association** and the **Human Resources & Remuneration Committee Charter**, the following topics were discussed during 2022:

Topic	March	April	May	September	October	December
Review and Approval of the 2021 Remuneration Report	✔					
Proposals to the Board of Directors regarding the approval of the individual compensation of the Chairman and the other members of the Board of Directors	✔					
Proposals to the Board of Directors regarding the individual compensation (fixed and variable compensation) of the Members of the Group Executive Management	✔					
Long-Term Incentive Plan (LTIP): - LTIP scheme review; - Change of the LTIP regulation; - Performance update; - Execution timing.	✔	✔	✔			✔
Remuneration Report: - set-up of the Report structure - Remuneration Report review	✔				✔	✔
Review of benchmarking peer group and external benchmark for Group Executive Management remuneration						✔
Review of the organization chart of the Group				✔		
Equal-pay analysis				✔		
Review and Adoption of a Succession Plan for key employees				✔		
Review of remuneration principles, strategy and systems			✔	✔	✔	
Individual targets and weighting of 2022 variable short-term incentive for the members of the Group Executive Management *	✔					

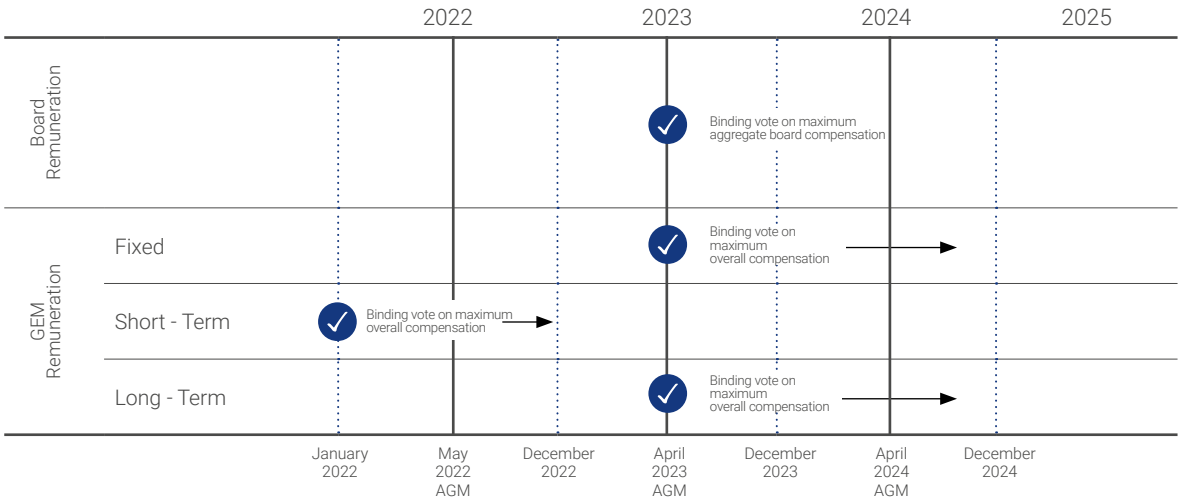
* To be proposed at the AGM 2023 meeting for approval.

2.2 ROLE AND ACTIVITIES OF THE SHAREHOLDERS REGARDING THE AGM

The Board of Directors will submit five separate remuneration-related resolutions for shareholders' approval at the AGM 2023 (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 2024);
- the maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2024;
- 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, 2022;
- the maximum overall variable long-term remuneration of the Group Executive Management that may be allocated in for the business year ending December 31, 2024;
- 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 2024).

In addition, the Board of Directors will submit this Remuneration Report to a separate consultative vote for the shareholders at the AGM 2023.



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) 2022, 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 2022 until the AGM 2023: CHF 1'100 thousand;
- the maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2023: CHF 1'200 thousand;
- the maximum overall short-term remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2021: CHF 1'350 thousand;
- the maximum overall variable long-term remuneration of the Group Executive Management to be allocated in the Financial Year ending December 31, 2023: CHF 800 thousand;
- the maximum aggregate amount for services covered by article 25(3) of the **Articles of Association** (Consulting Services) for the period until the AGM 2023: CHF 150 thousand.

In addition, shareholders approved the FY 2021 Remuneration Report in a consultative vote.

3. REMUNERATION PHILOSOPHY AND PRINCIPLES

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

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

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

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

As a base for this work the Human Resources & Remuneration Committee, each year, assesses the compensation packages of similar companies. In 2022 we reflected same peers utilized in 2021 which we believe are more balanced between focus in the orthopedic industry and small to mid-capitalization. To carry out the compensation benchmark the following two groups of companies were analysed in 2022:

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

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

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

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

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

[4] Zimmer Biomet, Nuvasive, Alphatec Holdings, Stryker, Globus Medical, based on information disclosed on the publicly available Annual Reports for 2021.
[5] Straumann, Sonova, Medartis, Tecan, Ypsomed, based on information disclosed on the publicly available Annual Reports for 2021.

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.

4. REMUNERATION FRAMEWORK FOR BOARD OF DIRECTORS

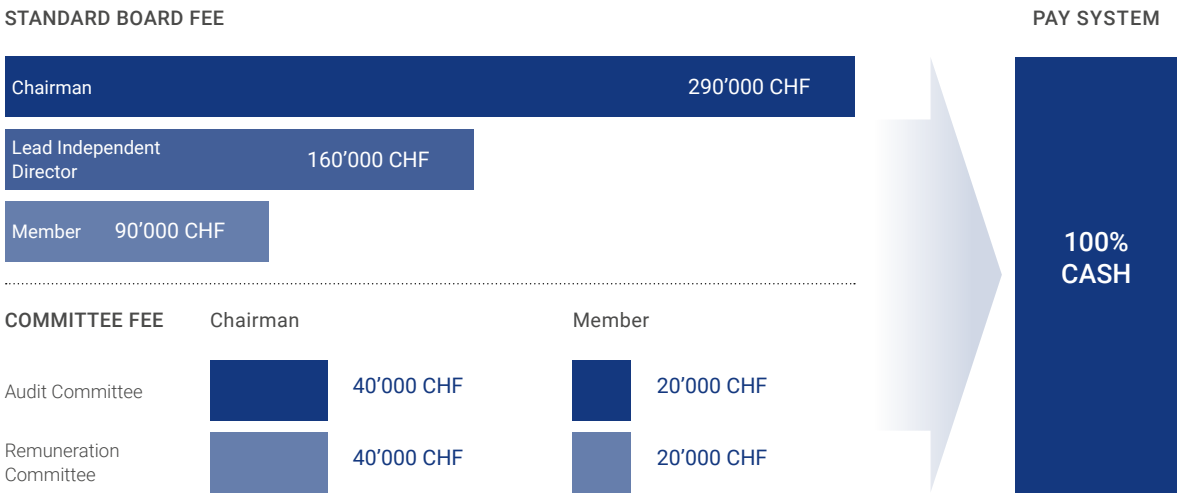
4.1 REMUNERATION APPROACH

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

In order to highlight the independent role of the Members of the Board of Directors in performing their supervisory duties, the entire remuneration of the Board in Financial Year 2022 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 2023, consistent with the shareholders' approval, Board Members were paid a fixed annual base fee of CHF 90 thousand, with the Chairman receiving CHF 290 thousand. For membership in a Board Committee, Members were paid a fixed fee of CHF 20 thousand, with the respective chairpersons receiving CHF 40 thousand. In addition, in recognition of the extra time commitment associated with the role, the Lead Independent Director received an additional allowance of CHF 70 thousand (for a total amount CHF 160 thousand).

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

For the term from the AGM 2022 until the AGM 2023, Medacta's shareholders approved a maximum aggregate amount of remuneration for the Board of Directors of CHF 1'100 thousand. Total remuneration awarded to the Board of Directors during Financial Year 2022 amounted to CHF 934 thousand and represents remuneration for services rendered from January 1, 2022 until December 31, 2022. As compared to FY 2022, the compensation is substantially in line with prior period. The amounts actually paid in 2022 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, 2022 and 2021:

2022 BoD Compensation

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

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

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.

The reconciliation of approved and dispensed compensation for the AGM 2021-2022 and 2022-2023 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
2021 AGM to 2022 AGM	CHF 0.9 million*	CHF 1.2 million	Approved 2021 AGM
2022 AGM to 2023 AGM	CHF 0.9 million**	CHF 1.1 million	Approved 2022 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 2022 AGM to 2023 AGM. The final amount will be disclosed in the 2023 Remuneration Report.

In addition, with reference to article 25 para. 3 of the **Articles of Association**, for the period from the AGM 2021 until AGM 2022, 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 39 thousand (within the limits of CHF 150 thousand, approved by the AGM 2021). For the period from the AGM 2022 until December 31, 2022, Niederer Kraft Frey AG, acted as legal adviser and received fees in the amount of CHF 15 thousand (so far within the limits of CHF 150 thousand, approved by the AGM 2022).

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, 2022.

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

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

5. REMUNERATION FRAMEWORK FOR GROUP EXECUTIVE MANAGEMENT

5.1 REMUNERATION APPROACH

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

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

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

FIXED COMPENSATION

ANNUAL BASE SALARY

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

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

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

VARIABLE COMPENSATION

SHORT-TERM INCENTIVE

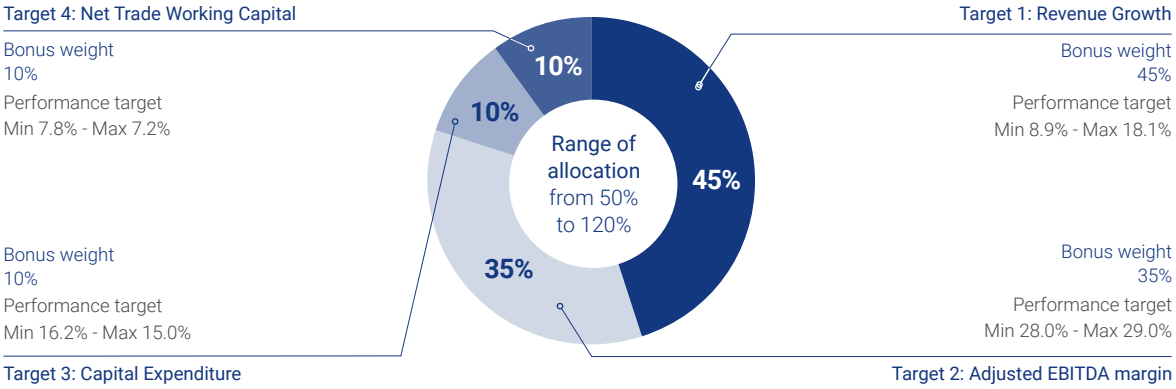
The short-term variable compensation is an annual incentive plan intended to compensate the Group Executive Management for achieving the short-term business strategy, based on company performance achievements and financial targets. In accordance with article 26 of the **Articles of Association**, the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

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

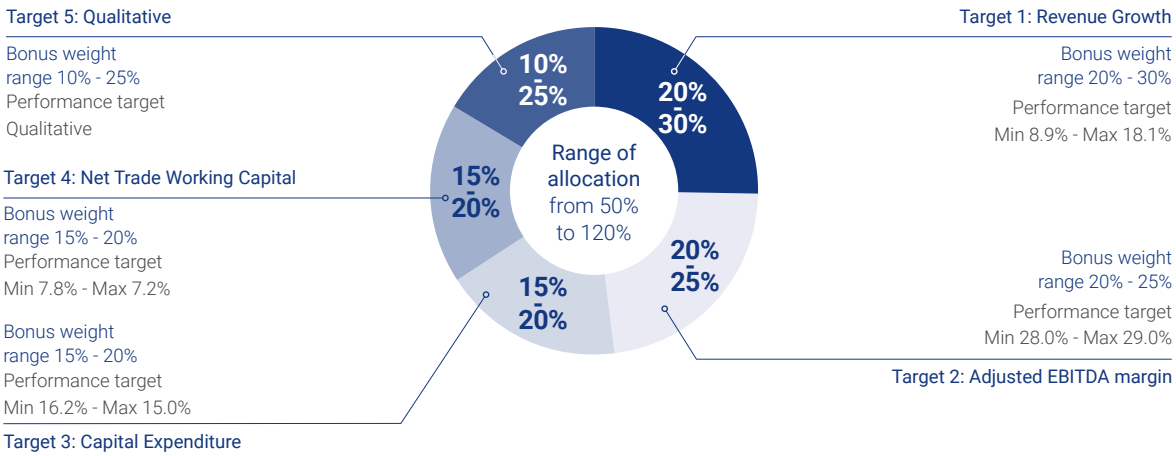
targets are weighted differently for each Member of the Group Executive Management, taking into account position and level of responsibility. Revenue Growth target is between 8.9% and 18.1% and weights respectively 45% and 20% to 30% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Adjusted EBITDA Margin target is between 28.0% and 29.0% and weights respectively 35% and 20% to 25% of the bonus for the CEO and for the other Members of the Group Executive Management, respectively; Capital Expenditure target is between 16.2% and 15.0% 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 Trade Working Capital target is between 7.8% and 7.2% 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 Human Resources & Remuneration Committee, based on the quality of the performance of their duties (as described in greater detail below). Upon proposal by the Human Resources & Remuneration Committee, the Board of Directors is responsible for the selection and weighting of performance targets during the first quarter of the one-year performance period as well as determining what the maximum short-term compensation can comprise. For FY 2022, the short-term variable remuneration for the Group Executive Management represents 137% 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 29% of the base salary. This puts a material portion of the Group Executive Management's remuneration at risk, in alignment with shareholders' interests.

The variable short-term compensation for the Members of the Group Executive Management for the Financial Year 2022 was determined by the Board of Directors upon recommendation from the Human Resources & Remuneration Committee on the basis of the below described base and maximum amounts, criteria, weightings and other principles. In order to calibrate the target achievement curve for one plan cycle, a target achievement level is identified in accordance with the overall business plan and the budget for the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other metrics, the previous year's performance level.

CEO



All other members of the GEM



The reaching of the above financial targets is determined by the Board of Directors based on the audited Consolidated Financial Statements of Medacta Group SA for the Financial Year on December 31, 2022. The Board of Directors in calculating the targets achieved in 2022 decided to exclude extraordinary elements that effected current year performance.

Regarding targets "Revenue Growth" and "Adjusted EBITDA Margin": 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 "Capital Expenditure" and "Net Trade Working Capital": in the event the actual result is (a) above the minimum target the respective bonus portion is CHF 0; (b) within the target range linear progression from 0 to maximum bonus; (c) below maximum target maximum bonus.

As mentioned above, at the discretion of the Board of Directors upon recommendation of the CEO and the Human Resources & Remuneration Committee, it would be possible to raise or to lower the CFO's and 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 2022, all of the four approved minimum performance thresholds were exceeded, and the targets were achieved at different levels within their respective target achievement curve[6]. After reviewing the 2022 year-end results and considering the geopolitical and external factors (i.e. inflation, currency developments and Covid) that affected Medacta's performance, the Board of Directors at the request of the Human Resources & Remuneration Committee, decided to measure the reaching of the targets for the Financial Year 2022 short-term compensation against adjusted results in order to appropriately take into account extraordinary events in the year 2022. This resulted in an overall short-term compensation proposed payout to the AGM 2023 for the CEO of CHF 1'050 thousand and an overall proposed payout of CHF 140 thousand for the other Members of the Group Executive Management, upon approval by the AGM 2023. This represents 285% for the CEO and 28% for the other Members of the Group Executive Management base salary.

Since STI reflects the previous year's performance (i.e. FY 2022), 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 9, 2022, the Board of Directors approved the implementation of the LTIP proposed by the Human Resources & Remuneration Committee, under the Performance Share Plan ("the Plan"), that was open to eligible participants starting in April, 2022. 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

[6] In assessing the 2022 CAPEX on Revenue, the actual figure was adjusted by all the investments made in 2022 that were not included in the Budget approved by the Board of Directors on December 15, 2021. All these extra investments were discussed and approved by the Board of Directors throughout the fiscal year 2022.

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.

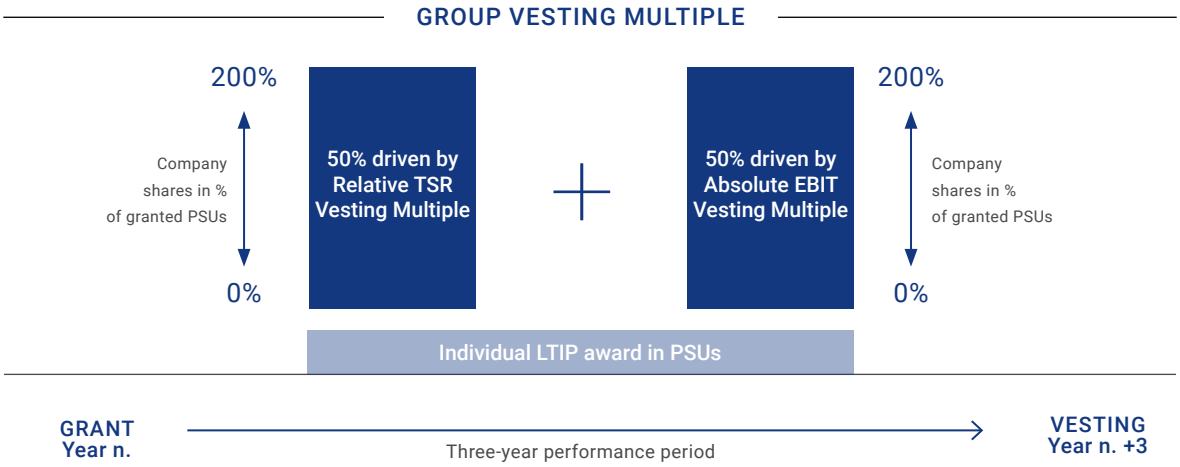
The incentive plan is measured over a rolling three-year performance period with the purpose of fostering long-term value creation for the Group. Eligible plan participants grant a certain number of Performance Share Units (PSUs), which represent a contingent entitlement to receive Medacta shares in 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 2022, 22'175 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 2022 grant fair value, the Group estimates the PSU reference value by using the fair value calculation under the Monte Carlo method that for the 2022 award cycle amounted to CHF 116.27.

The 2022 PSUs grant will vest at the end of the performance period in 2025 and will be converted into shares. The number of PSUs that vest is calculated at the Vesting Date by multiplying the number of granted PSUs by the Final Vesting Multiple, rounded up to the next whole Share. Ultimately, the number of PSUs which vest shall be determined by the Board or a body designated by the Board in a final, conclusive and binding manner. The Final Vesting Multiple equals either Group Vesting Multiple (see description below) or Country Vesting Multiple (see description below), whereas the latter applies if all of the following three conditions are met:

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

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



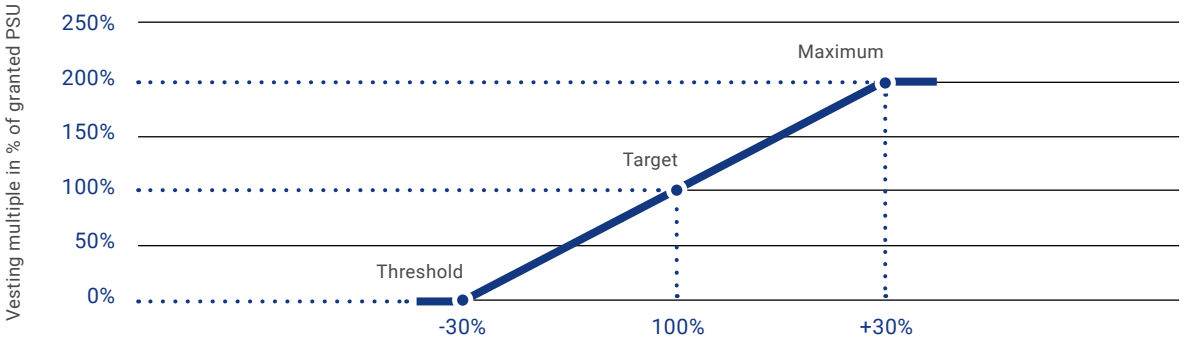
The Group Vesting Multiple is based upon a 50% weighting of the Relative TSR Vesting Multiple and a 50% weighting of the Absolute EBIT Vesting Multiple, rounded off to two decimal places, whereby:

- the Relative TSR Vesting Multiple is calculated as the (positive or negative) difference between Medacta's TSR and the SPI Extra Total Return TSR[7], 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.

[7] 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 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.

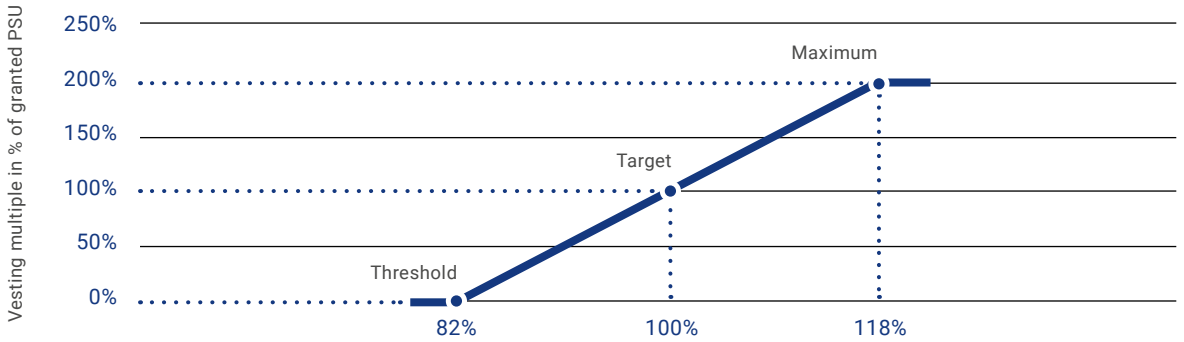
For the FY 2022 grant, 100% of the PSUs linked to the Relative TSR Vesting Multiple will vest, if the Medacta's TSR is equivalent to the SPI Extra Total Return TSR10. The maximum vesting multiple of 200% applies if the Medacta's TSR is 30 or more percentage points above the SPI Extra Total Return TSR. 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 2022 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 2025 Remuneration Report we will explain the target achievement for the 2022 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 2022 PSUs granted.



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

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

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

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

BENEFITS AND PENSION

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

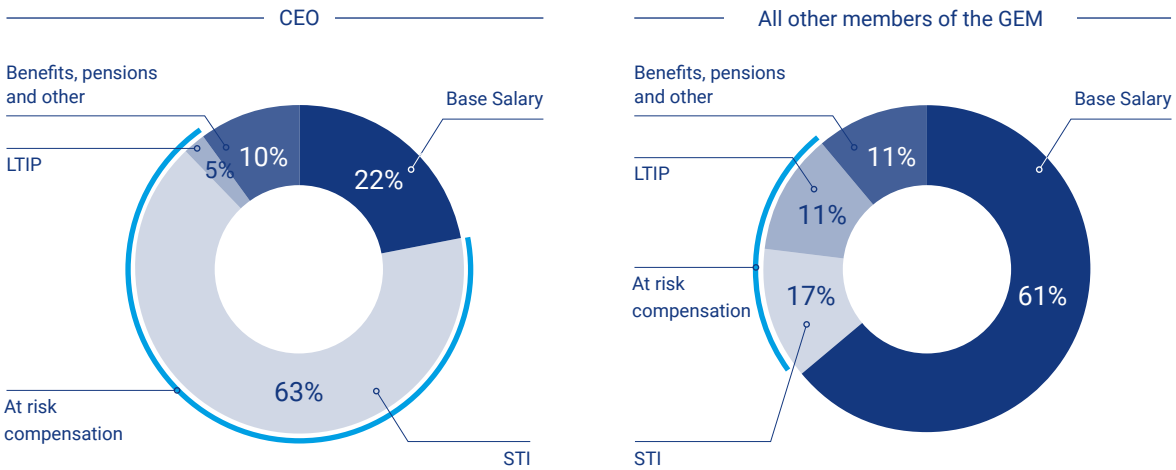
Other benefits may include a car and phone allowance and other fringe benefits that, if any, are disclosed in the remuneration table included in sub-heading 5.2 "Remuneration Awarded 2022 (Audited)" of this report. Out-of-pocket expenses incurred by Members of the Group Executive Management in connection 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 2022 (AUDITED)

COMPENSATION MIX

The Human Resources & Remuneration Committee ensures that the Group Executive Management remuneration focuses on pay-for-performance and anchors the strategy of the Group by delivering a substantial portion of remuneration in the form of variable and performance-related incentives. Overall, total variable remuneration of the CEO for the Financial Year 2022 amounted to 68% of his total remuneration, while other Members of the Group Executive Management's total variable remuneration for the Financial Year 2022 ranged from 24% to 30% of the total remuneration, in each case subject to approval of the AGM 2023.

GEM pay mix



The total aggregate amount approved by the annual shareholders' meeting 2021 for the fixed compensation of the Group Executive Management for the Financial Year 2022 amounts to CHF 1'200 thousand. The annual shareholders' meeting 2022 approved the same limit for the Financial Year 2023. The sum of the total fixed compensation paid to the Group Executive Management (including the CEO) for the relevant period from January 1, 2022 to December 31, 2022 amounts to CHF 985 thousand, including CHF 116 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 2022 proposed by the Board of Directors to the AGM 2023 for the entire Group Executive Management will be CHF 1'297 thousand, including CHF 107 thousand of pension and social security contribution. The limit of the STI for 2022 for the Group Executive Management will be decided at the 2023 annual shareholders' meeting.

The total aggregate amount approved by the annual shareholders' meeting 2021 for the variable long-term compensation of the Group Executive Management for the Financial Year 2022 amounts to CHF 800 thousand. The LTIP Fair Value at Grant for Financial Year 2022 recognized for the Group Executive Management (including CEO) is equal to CHF 189 thousand, including CHF 17 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 2022, the Group Executive Management consisted of three Members, all of them being Members of the Group Executive Management during the entire period. The 2022 Group Executive Management compensation is overall in line with prior period.

The following tables show the total aggregate remuneration, including the proposed short-term compensation and the fair value at grant under the LTIP, for the Members of the Group Executive Management and the highest amount for an individual member (i.e. the CEO), for the period from January 1 to December 31, 2021 and 2022 respectively.

2022 GEM Compensation

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

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

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 GEM (aggregated)	486'896	142'342	42'179	-	85'584	757'001
Total all Members of the GEM	**853'996**	**1'229'687**	**76'886**	**22'200**	**231'095**	**2'413'864**

[1] Approved by 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.

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 Note 6.26 "Related party transactions" of the Financial Report included in this Annual Report.

6. OWNERSHIP OF SHARES AND OPTIONS

As of December 31, 2022, there were no outstanding options to acquire shares in the Company. The following tables show the number of shares held by Board of Directors and Group Executive Management as of December 31, 2022:

SHARES HELD BY MEMBERS OF THE BOARD (AUDITED)

Board Members	Role	Shares held as at December 31, 2022		Shares held as at December 31, 2021
Alberto Siccardi	Chairman	2'031'710	*	2'022'710
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

* Alberto Siccardi, Chairman of the Board of Directors of Medacta Group SA, on March 11, 14, and 15 purchased respectively 2'921, 2'528 and 3'551 share units. These shares purchased are also disclosed in the 2022 Financial Report Note 6.26 "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, 2022		Shares held as at December 31, 2021
Francesco Siccardi	Chief Executive Officer	3'965'672	*	3'946'272
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 March 11, 14, 15 and June 16, 17, 20 and 21, 2022 purchased respectively 2'921, 2'527, 3'522, 4'850, 539, 1'157 and 3'854 share units. These shares purchased are also disclosed in the 2022 Financial Report in Note 6.26 "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 2022 Financial Statements of Medacta Group SA (Note 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 2022 (AUDITED)" of this Remuneration Report.

9. REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

Deloitte.

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Report on the Audit of the Remuneration Report according to Art. 14-16 of the Ordinance

REPORT OF THE STATUTORY AUDITOR

To the general meeting of
MEDACTA GROUP SA, CASTEL SAN PIETRO

Report on the Audit of the Remuneration Report

Opinion
We have audited the Remuneration Report of Medacta Group SA (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the in the sections 4.2, 5.2, 6, and 7 labeled “audited” on pages 94, 95, 101, 102 and 103 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the Remuneration Report complies with Swiss law and Art. 14-16 of the Ordinance.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Board of Directors' Responsibilities for the Remuneration Report
The Board of Directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Remuneration Report
Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

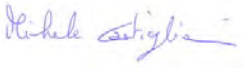
As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

Deloitte SA



Fabien Lussu
Licensed audit expert
Auditor in Charge

Michele Castiglioni
Licensed audit expert

Lugano, 16 March 2023
FLU/MCA/jba

Medacta International

FINANCIAL REPORT

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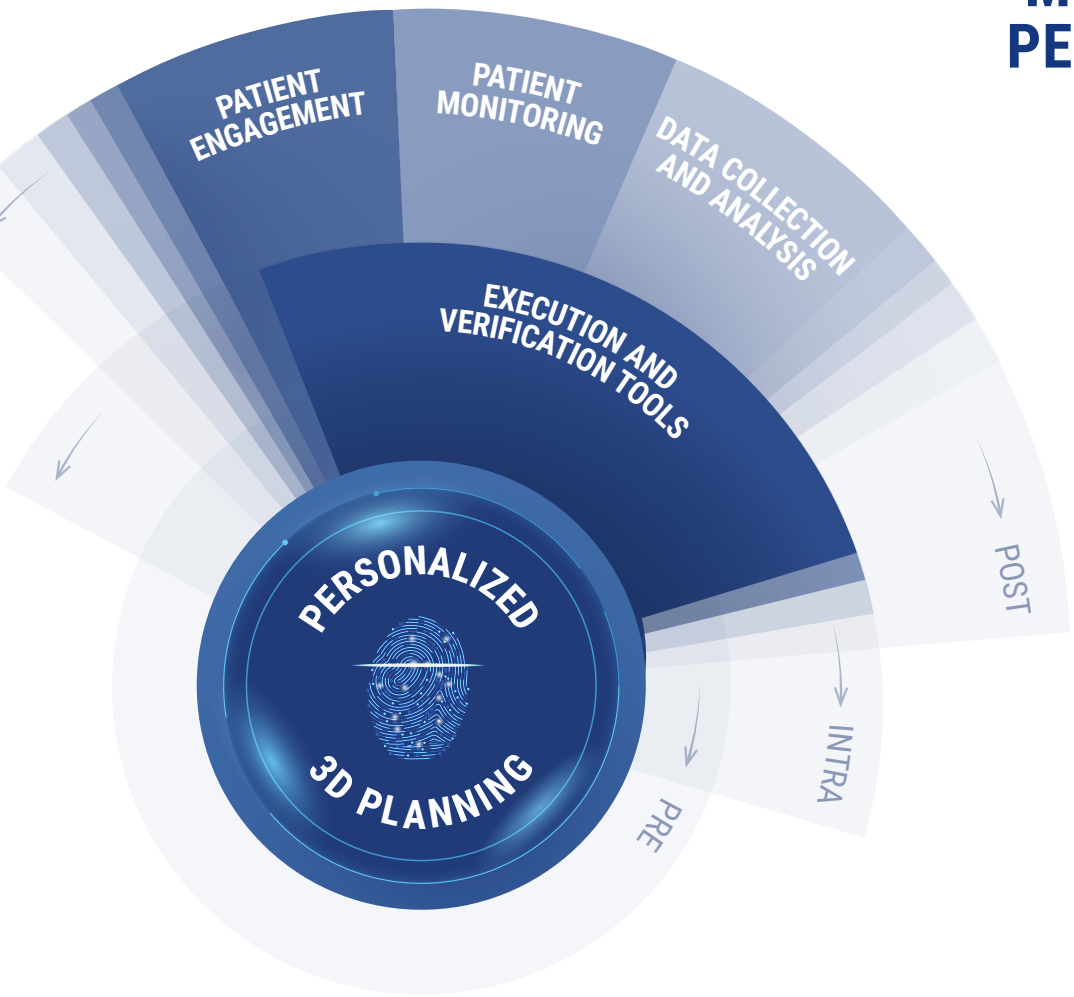
MYSOLUTIONS PERSONALIZED ECOSYSTEM



PERSONALIZED 3D PLANNING

PRECISE EXECUTION

PATIENT ENGAGEMENT

EFFICIENT CASE MANAGEMENT

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

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Thousand Euro)	Notes	31.12.2022	31.12.2021
Revenues	6.24.1	437'122	363'126
Cost of Sales		(131'866)	(101'879)
GROSS PROFIT		**305'256**	**261'247**
Research and Development expenses	6.24.2	(16'223)	(11'306)
Sales and Marketing expenses		(159'594)	(132'555)
General and Administrative expenses	6.24.2	(65'447)	(58'844)
Other income	6.24.3	1'570	1'536
Other expenses	6.24.3	(4'098)	(1'301)
OPERATING PROFIT (EBIT)		**61'464**	**58'777**
Financial income	6.24.4	2'831	2'318
Financial costs	6.24.4	(9'503)	(5'644)
PROFIT BEFORE TAXES		**54'792**	**55'451**
Income taxes	6.11	(8'543)	(3'930)
PROFIT FOR THE YEAR		**46'249**	**51'521**
ATTRIBUTABLE TO			
Equity holders of the parent	6.27	46'249	51'521
Non-controlling interests		-	-
BASIC EARNINGS PER SHARE	6.27	**2.32**	**2.58**
DILUTED EARNINGS PER SHARE	6.27	**2.31**	**2.58**

The Notes are an integral part of the Consolidated Financial Statements

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Thousand Euro)	Notes	31.12.2022	31.12.2021
PROFIT FOR THE YEAR		**46'249**	**51'521**
OTHER COMPREHENSIVE INCOME			
Remeasurements of defined benefit obligations	6.20	4'915	2'663
Tax effect on remeasurements of defined benefit obligations		(852)	(462)
TOTAL ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**4'063**	**2'201**
Currency translation differences		10'112	8'726
TOTAL ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**10'112**	**8'726**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**14'175**	**10'927**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**60'424**	**62'448**
ATTRIBUTABLE TO			
Equity holders of the parent		60'424	62'448
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, 2022 AND 2021

ASSETS

(Thousand Euro)	Notes	31.12.2022	31.12.2021
Property, plant and equipment	6.7	188'235	155'378
Right-of-use assets	6.8	30'264	24'371
Goodwill and intangible assets	6.9	50'188	51'975
Other non-current financial assets	6.10	481	479
Deferred tax assets	6.11	31'659	29'029
TOTAL NON-CURRENT ASSETS		**300'827**	**261'232**
Inventories	6.12	160'301	136'091
Trade receivables	6.13	77'957	59'436
Other current financial assets	6.10	802	-
Other receivables and prepaid expenses	6.14	12'340	12'103
Cash and cash equivalents	6.15	32'261	20'404
TOTAL CURRENT ASSETS		**283'661**	**228'034**
TOTAL ASSETS		**584'488**	**489'266**

LIABILITIES AND EQUITY

(Thousand Euro)	Notes	31.12.2022	31.12.2021
Share capital	6.16	1'775	1'775
Capital contribution reserve	6.16	16'018	21'227
Retained earnings and other reserves	6.16	235'718	192'363
Foreign currency translation reserve	6.16	21'144	11'032
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**274'655**	**226'397**
Non-controlling interests		-	-
EQUITY		**274'655**	**226'397**
Non-current financial liabilities	6.17	137'592	49'552
Other non-current liabilities	6.18	4'649	8'123
Non-current provisions	6.19	3'678	1'185
Retirement benefit obligation	6.20	8'862	12'145
Deferred tax liabilities	6.11	44'619	39'837
Non-current lease liabilities	6.17	21'371	15'470
TOTAL NON-CURRENT LIABILITIES		**220'771**	**126'312**
Trade payables	6.22	28'480	25'951
Other current liabilities	6.18	15'515	11'002
Current financial liabilities	6.17	7'091	64'486
Current provisions	6.19	120	349
Accrued expenses and deferred income	6.23	31'494	29'055
Current lease liabilities	6.17	6'362	5'714
TOTAL CURRENT LIABILITIES		**89'062**	**136'557**
TOTAL LIABILITIES		**309'833**	**262'869**
TOTAL LIABILITIES AND EQUITY		**584'488**	**489'266**

The Notes are an integral part of the Consolidated Financial Statements

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Attributable to equity holders of Medacta Group SA						
(Thousand Euro)	Share capital	Capital Contribution Reserve	Retained earnings and other reserves	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total equity
BALANCE JANUARY 1, 2021	**1'775**	**21'227**	**139'409**	**-**	**2'306**	**-**	**164'717**
Profit for the 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**

The Notes are an integral part of the Consolidated Financial Statements

5. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Thousand Euro)	Notes	31.12.2022	31.12.2021
PROFIT FOR THE YEAR		**46'249**	**51'521**
Adjustments for:			
Income taxes	6.11	8'543	3'930
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	6.24.2	51'510	40'436
(Gain) / loss on disposal of tangible and intangible assets		(22)	901
Foreign exchange result		3'183	(357)
Interest expenses		2'664	1'698
Change in Provisions and Retirement benefit obligations	6.12; 6.13 ; 6.19 ; 6.20	10'080	9'072
Share-based payments expense	6.21	1'148	468
Income taxes paid		(8'343)	(25'430)
Interest paid		(2'304)	(1'698)
(Increase) / decrease in trade receivables		(17'738)	(13'941)
(Increase) / decrease in other receivables and prepaid expenses		505	(3'509)
(Increase) / decrease in inventories		(20'781)	(16'792)
Increase / (decrease) in trade payables		1'432	8'523
Increase / (decrease) in other liabilities and accruals		(2'616)	(761)
CASH FLOW FROM OPERATING ACTIVITIES		**73'510**	**54'061**
Purchase of tangible assets	6.7	(63'158)	(46'491)
Purchase of intangible assets *		(8'103)	(8'127)
Proceeds from disposal of tangible assets		6'383	2'566
Cash consideration for acquisitions, net of cash acquired	6.9	(220)	-
Changes in financial assets		(8)	10
CASH FLOW FROM INVESTING ACTIVITIES		**(65'106)**	**(52'042)**
Proceeds from borrowings	6.17	59'161	846
Repayment of borrowings	6.17	(35'242)	(24'801)
Repayment of lease liabilities	6.17	(7'146)	(6'015)
Dividends paid	6.16	(10'418)	
Purchase of treasury shares	6.16	(2'917)	(1'242)
CASH FLOW FROM FINANCING ACTIVITIES		**3'438**	**(31'212)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11'842**	**(29'193)**
Cash and cash equivalents at the beginning of the year	6.15	20'404	48'068
Net effect of currency transaction on cash and cash equivalent		15	1'529
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6.15	**32'261**	**20'404**

* "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, 2022 AND 2021

GENERAL INFORMATION

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

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

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

STATEMENT OF COMPLIANCE

The Consolidated Financial Statements as of December 31, 2022 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 and after January 1, 2023 as disclosed in Note 6.3 "New accounting and International Financial Reporting Standards".

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

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

The Consolidated Statement of Cash Flows from operating activities was prepared and presented 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. An 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 "Macroeconomic environment").

PRESENTATION CURRENCY

Items included in the financial statement of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Group's presentation currency is Euro, while the functional currency of the Parent Company is Swiss Franc. All values are rounded to the nearest thousand except where otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

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

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

- Leases – Due to the application of IFRS 16, judgement is required to determine the lease term. Management considers all circumstances and facts that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances 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. 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, 2022, management has 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

MACROECONOMIC ENVIRONMENT

We are monitoring the war in Ukraine and its impact on worldwide geopolitical and macroeconomic uncertainties. The war between Russia and Ukraine has resulted in the implementation of sanctions by the EU, Switzerland, United States and other governments against Russia and has caused significant volatility and disruptions to the global markets. Our direct exposure to both Russia and Ukraine is very limited. Both in 2022 and 2021, we did not have any sales in Russia, while in Ukraine we accounted for only Euro 1.1 million in 2022 (Euro 0.6 million in full-year 2021). From Q2 2022, we are not entering any new business either onshore or through distributors in both Russia and Ukraine. We do not have any of our consolidated assets that are currently in either Russia or Ukraine territory, except for Euro 0.4 million receivables towards Ukrainian clients that were entirely written off in 2022.

The conflict has resulted and could continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents or other disruptions to information systems, reduced availability and increased costs for transportation, energy, packaging, raw materials, and other input costs. Further, if the war expands beyond Ukraine or further intensifies, it could have an adverse impact on our operations in Europe. As a result of these consequences from the Russia-Ukraine conflict, we increased our level of attention on inflationary pressures on transportation and commodity costs. Our Enterprise Risk Management meetings focused on both supply chain and inflationary risks, to identify specific actions needed to mitigate the impact on our performances. Our 2022 profitability was impacted from the inflationary costs, which we expect to reduce in 2023.

Also, to further strengthen our internal measures, to maintain the confidentiality and integrity of our systems, data, and products against cyberattacks, we executed a dedicated cybersecurity project designed in 2021. The program included the appointment of a Cybersecurity Manager, penetration testing and the creation of a Security Operation Center for H24 monitoring of cyber events on our IT infrastructure. Regular updates on the program were presented to the Audit and Risk Committee. Also, in 2022 periodic training and awareness sessions in the cyber environment have been planned for all our Group employees.

Our global operations continue to expose us to risks associated with the Covid-19 pandemic and could materially adversely affect our operations, supply chain, manufacturing, product distribution, customers and other business activities. Numerous measures have been implemented around the world to try to reduce the spread of the virus and these measures have impacted and will continue to impact us and our customers. In 2022 our performances have been still affected by the Covid-19 global pandemic, nevertheless, the Group was able to deliver strong top-line growth, and solid cash flow results. The vast majority of our net sales are derived from products used in elective surgical procedures. In 2022 we witnessed a general recovery of elective procedures as the impact of the Covid-19 pandemic eased in most geographies, delivering 15.0% revenue growth at constant currency (20.4% reported). Significant customer acquisition, salesforce expansion and successful product introduction drove the growth that was limited by pandemic restrictions and hospital staffing shortages in Australia and US which resulted in further deferrals of elective surgical procedures.

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

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

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

The global economy is experiencing increased inflationary pressures primarily due to global supply chain disruptions, labor shortages and the current macroeconomic environment which we anticipate will continue. Higher interest rates and capital costs, higher shipping costs, increased costs of labor and volatile foreign currency exchange rates are creating additional economic challenges. Our operations have been adversely impacted by the inflationary pressures primarily related to transportation costs as well as the impact of purchasing packaging, raw materials, and other input costs for our manufacturing process.

Management assessed the list of internal and external indicators provided by IAS 36 and, even considering the impact of the current macroeconomic environment in the full-year economic performance, does not believe that as of December 31, 2022 there are observable indicators that Medacta assets' value may be impaired. External sources of information such as adverse effects on market interest rates, market capitalization and market development showed only temporary impact that are mostly already reflecting results pre Covid-19. The internal sources of information assessed indicate that mid and long-term fundamentals on the expected economic performance have not changed.

NEW EU REGULATION ON MEDICAL DEVICES (MDR)

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

Under the new Regulation on Medical Devices, article 120 "Transitional provisions", provides that there will be a transition period where all the CE registrations obtained under the Medical Device Directive (93/43/EEC) should be resubmitted through the new Medical Device Regulation. All the registration costs incurred by Medacta for the transition will be expensed in the Research and Development line item. As of December 31, 2022, the costs incurred relating these activities amounted to Euro 627 thousand.

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

Acquisitions of businesses are accounted for using the acquisition method.

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

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

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

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

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

The percentages of shares held, reported in the above table, represent both the shares of the capital and the votes held. The ultimate parent company is Medacta Group SA. The Group has neither associated companies nor joint arrangements. 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 BB+ 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 and net realizable value. Production cost comprises the acquisition price of raw materials and consumables, directly attributable costs and a proportion of indirectly attributable costs incurred in bringing the inventories to their present location and condition.

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

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

Research and Development

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, 2022 and 2021.

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 the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the allowance for these financial instruments an amount equal to 12 months expected credit loss.

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

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

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

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

Derecognition of financial assets

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

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

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

Derivative financial instruments

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

The Group entered into several forward contracts during the years 2022 and 2021, 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 fair value. Subsequent measurement is made using the amortised cost using the effective interest rate method.

Borrowings and other financial liabilities

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

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

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

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

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

- a transaction or event which is recognised, in 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

In 2021 the Board of Directors approved the implementation of the LTIP proposed by the Remuneration Committee, under the Performance Share Plan ("The Plan"). The purpose of the plan is to provide the eligible Medacta employees with an opportunity to become shareholders of the company, and hence align their interests to those of Medacta's other shareholders, to participate in the future long-term success and prosperity of the Group, and to enhance and reward loyalty of the employees, 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 recognised for awards that do not ultimately vest. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date of grant, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding performance share units (PSUs) is reflected as additional share dilution in the computation of earnings per share (Note 6.27 "Earnings per share").

TREASURY SHARES

Equity instruments which are re-acquired by Medacta Group SA (treasury shares) are deducted from equity and disclosed separately. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The expense relating to any provision is presented in the income statement, net of any reimbursement and where discounting is used, the increase in the provision is recognised as a finance expense.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognised primarily when control of the promised goods is transferred to the customer, which typically occurs at the point in time upon delivery, shipment or 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, transaction price may also include in some instances variable considerations contingent to future events in the form discounts, rebates or paybacks. Revenue is recognised, as soon as the performance obligation is satisfied, at the transaction price identified. Medacta applies the "most likely amount" method or the "expected value method" in order to estimate the variable consideration, whichever is more predictive based on the terms of the contracts. The amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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.

6.3 NEW ACCOUNTING AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR REPORTING PERIODS BEGINNING ON JANUARY 1, 2022

AMENDMENTS TO IFRS 3 REFERENCE TO THE CONCEPTUAL FRAMEWORK

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

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

AMENDMENTS TO IAS 16 PROPERTY, PLANT AND EQUIPMENT - PROCEEDS BEFORE INTENDED USE

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendment did not have any material impact on the Consolidated Financial Statements of the Group.

AMENDMENTS TO IAS 37 ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT

The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment did not have any material impact on the Consolidated Financial Statements of the Group.

ANNUAL IMPROVEMENTS TO IFRS ACCOUNTING STANDARDS 2018-2020 CYCLE

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to three standards applicable for the Group.

IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's Consolidated Financial Statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 FINANCIAL INSTRUMENTS

The amendment clarifies that in applying the "10 per cent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 LEASES

The amendment removes the illustration of the reimbursement of leasehold improvements.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR REPORTING PERIODS BEGINNING ON AND AFTER JANUARY 1, 2023 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 1 and IFRS Practice Statement 2 on disclosure of accounting policies (effective for annual periods beginning on or after January 1, 2023);
- amendments to IAS 8 on accounting estimates (effective for annual periods beginning on or after January 1, 2023);
- amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (effective for annual periods beginning on or after January 1, 2023);

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 receivables 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, 2022, forward currency contracts with a nominal value of USD 36'000 thousand (2021: USD 34'000 thousand) and positive fair value of Euro 802 thousand (2021: negative fair value of Euro 39 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, 2022 and as of December 31, 2021).

The following tables demonstrate the sensitivity to a reasonable possible currency rate change of the Group's Profit before taxes and of the Group's Equity, with all other variables held constant.

EXCHANGE RATES SENSITIVITY

As at December 31, 2022

(Thousand Euro)

Currency *	Closing exchange rate	Increase / (Decrease)	Profit Before Taxes	Equity
USD/CHF	0.9244	10%	9'202	-
EUR/CHF	0.9893	10%	1'816	-
JPY/CHF	0.0070	10%	645	-
AUD/CHF	0.6298	10%	156	-
USD/CHF	0.9244	(10%)	(9'202)	-
EUR/CHF	0.9893	(10%)	(1'816)	-
JPY/CHF	0.0070	(10%)	(645)	-
AUD/CHF	0.6298	(10%)	(156)	-

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

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.

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 2022 and 2021 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 rates.

The following table shows the sensitivity to interest rate changes, with all other variables held constant, of the Group's Profit or Loss and Equity:

INTEREST RATE SENSITIVITY - IMPACT ON PROFIT OR LOSS

(Thousand Euro)	50 basis points increase
As of December 2021	(633)
As of December 2022	(702)

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 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 77'957 thousand (Euro 59'436 thousand in 2021), out of which Euro 5'466 thousand are due from a single customer (Euro 5'118 thousand in 2021). Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The concentration of credit risk related to largest trade customer did not exceed 10% of gross monetary assets at any time during the year. The concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. Core banking relations are maintained with at least "BB+" rated (S&P) financial Institutions.

The Group does not expect any significant losses either from receivables or from other financial assets. Low credit risk of internal default is defined based on review of Financial Position of counterparties including review of the industry.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Impaired	There is evidence indicating the asset is credit-impaired	Lifetime ECL- credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

December 31, 2022 (Thousand Euro)	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables (not credit impaired)	6.13	N/A	*	Lifetime ECL (simplified approach)	78'000	(872)	77'128
Trade receivables (credit impaired)	6.13	N/A	**	Lifetime ECL (credit impaired)	2'406	(1'577)	829

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

* 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, 2022 and 2021.

The reported balances are contractual and undiscounted figures including repayments and interests.

As at December 31, 2022 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Total
Trade payables	28'480	-	-	**28'480**
Financial accrued expenses	11'911	-	-	**11'911**
Current financial liabilities	9'886	-	-	**9'886**
Non-current financial liabilities	-	121'416	29'242	**150'658**
Current lease liabilities	7'046	-	-	**7'046**
Non-current lease liabilities	-	17'508	5'487	**22'995**
Net derivative financial (assets)/liabilities	(802)	-	-	**(802)**
Gross outflows	*33'718*	-	-	***33'718***
Gross inflows	*(34'520)*	-	-	***(34'520)***

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 *	65'736	-	-	**65'736**
Non-current financial liabilities	-	46'332	7'292	**53'624**
Current lease liabilities	5'868	-	-	**5'868**
Non-current lease liabilities	-	12'417	3'940	**16'357**
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.

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 Statement of Financial Position. The fair value hierarchy level is shown for those financial assets and liabilities that are carried at fair value in the balance sheet.

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

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

The different levels have been defined as follows:

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

	Carrying amount (based on measurement basis)					
		Assets / Liabilities as FVTPL				
As at December 31, 2022 (Thousand Euro)	**Asset and Liabilities at amortised cost**	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**	**Fair Value**
Other non-current financial assets	481	-	-	-	**481**	-
Trade receivables	77'957	-	-	-	**77'957**	-
Other current financial assets	-	-	802	-	**802**	-
Cash and cash equivalents	32'261	-	-	-	**32'261**	-
Non-current financial liabilities	137'592	-	-	-	**137'592**	-
Other non-current liabilities	4'649	-	-	-	**4'649**	-
Non-current lease liabilities	21'371	-	-	-	**21'371**	-
Trade payables	28'480	-	-	-	**28'480**	-
Other current liabilities	15'515	-	-	-	**15'515**	-
Current financial liabilities	7'091	-	-	-	**7'091**	-
Current lease liabilities	6'362	-	-	-	**6'362**	-

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

The level 2 balance relates to forward currency contracts (foreign exchange contracts, selling USD and buying CHF; the financial instruments have a duration between 1 and 12 months) described in Note 6.4 "Financial risks management", "Market risk - exchange rate risk" sections.

6.6 SEGMENT INFORMATION

The Group has only one operating segment.

The criteria applied to identify the operating segments are consistent with the way the Group is managed. In particular, the segment reporting reflects the internal 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 2022 and 2021 no single customer represents 10% or more of the total Group revenues. Resource allocation and performance assessment are performed at Group level and not at single-component level.

The operating segments subject to disclosure are consistent with the organization model adopted by the Group during the Financial Year as of December 31, 2022.

INFORMATION BY GEOGRAPHIC AREA

The Group operates in Europe, North America (which includes the United States of America and Canada), Asia-Pacific (which includes Australia, Japan, Indonesia, 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.

	31.12.2022		31.12.2021	
SALES AND PROPERTY, PLANT AND EQUIPMENT (Thousand Euro)	Net sales	Property, plant and equipment	Net sales	Property, plant and equipment
Europe*	187'355	154'529	156'405	127'088
North America**	136'770	31'057	109'225	25'970
Asia Pacific***	94'364	2'649	84'911	2'320
RoW	18'633	-	12'585	-
TOTAL CONSOLIDATED	**437'122**	**188'235**	**363'126**	**155'378**

* Property, plant and equipment located in Switzerland represented 78.4% and 79.8% of the Group's total property, plant and equipment as at December 31, 2022 and 2021, respectively. Net sales recorded in Switzerland were Euro 44'804 thousand and Euro 38'172 thousand as at December 31, 2022 and 2021, respectively.
** Property, plant and equipment located in the United States represented 16.2% and 16.7% of the Group's total property, plant and equipment as at December 31, 2022 and 2021, respectively. Net sales recorded in the United States were Euro 136'086 thousand and Euro 108'452 thousand as at December 31, 2022 and 2021, respectively.
*** Property, plant and equipment located in Australia represented 0.7% and 0.7% of the Group's total property, plant and equipment as at December 31, 2022 and 2021, respectively. Net sales recorded in Australia were Euro 54'005 thousand and Euro 50'636 thousand as at December 31, 2022 and 2021, respectively.

6.7 PROPERTY, PLANT AND EQUIPMENT

December 31, 2022 (Thousand Euro)	Land	Buildings	Plants & Machinery	Instruments	Other fixtures and fitting, tool and equipment	Assets under construction	Total
HISTORICAL COST							
BALANCE JANUARY 1, 2022	**7'733**	**44'115**	**31'308**	**213'383**	**25'568**	**43**	**322'150**
Additions	4'753	1'958	1'855	51'138	2'811	643	63'158
Disposals	-	-	(176)	(9'533)	(170)	-	(9'879)
Transfers *	-	-	4'470	-	-	-	4'470
Exchange differences	446	2'156	1'608	10'058	1'045	1	15'314
BALANCE DECEMBER 31, 2022	**12'932**	**48'229**	**39'065**	**265'046**	**29'254**	**687**	**395'213**
ACCUMULATED DEPRECIATION							
BALANCE JANUARY 1, 2022	**-**	**(5'284)**	**(17'552)**	**(125'184)**	**(18'752)**	**-**	**(166'772)**
Depreciation of the year and impairment loss	-	(1'273)	(2'098)	(28'498)	(2'403)	-	(34'272)
Disposals	-	-	138	3'285	170	-	3'593
Transfers *	-	-	(2'348)	-	-	-	(2'348)
Exchange differences	-	(285)	(916)	(5'189)	(789)	-	(7'179)
BALANCE DECEMBER 31, 2022	**-**	**(6'842)**	**(22'776)**	**(155'586)**	**(21'774)**	**-**	**(206'978)**
NET BOOK VALUE							
BALANCE JANUARY 1, 2022	**7'733**	**38'831**	**13'756**	**88'199**	**6'816**	**43**	**155'378**
BALANCE DECEMBER 31, 2022	**12'932**	**41'387**	**16'289**	**109'460**	**7'480**	**687**	**188'235**

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

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 reclassification from right-of-use assets to property plant and equipment due to the purchase of the leased assets.

Additions for the year ended 2022 equal to Euro 63'158 thousand (Euro 46'491 thousand in 2021) are primarily related to investments made on instruments equal to Euro 51'138 thousand (Euro 37'445 thousand in 2021).

As of December 31, 2022, tangible fixed assets for a total amount of Euro 20'267 thousand have been pledged as collateral for borrowing facilities (2021: Euro 16'494 thousand).

During the years 2022 and 2021 no impairment losses have been recognised on property, plant and equipment.

6.8 LEASES

RIGHT-OF-USE ASSETS

The tables below show the movement of right-of-use assets for the years ended December 31, 2022 and 2021:

December 31, 2022 (Thousand Euro)	**Land and Building**	**Motor vehicles**	**ITC Equipment**	**Plant and Machinery**	**Other tool and equipment**	**Total**
HISTORICAL COST						
BALANCE JANUARY 1, 2022	**13'543**	**5'314**	**141**	**18'279**	**454**	**37'731**
Additions	3'018	2'398	38	7'087	175	**12'716**
Disposals	(44)	(1'277)	(31)	-	-	**(1'352)**
Transfers *	-	-	-	(4'470)	-	**(4'470)**
Exchange differences	255	1	-	922	25	**1'203**
BALANCE DECEMBER 31, 2022	**16'772**	**6'436**	**148**	**21'818**	**654**	**45'828**
ACCUMULATED DEPRECIATION						
BALANCE JANUARY 1, 2022	**(4'924)**	**(2'728)**	**(82)**	**(5'611)**	**(15)**	**(13'360)**
Depreciation	(2'304)	(1'715)	(33)	(1'508)	(67)	**(5'627)**
Disposals	44	1'277	31	-	-	**1'352**
Transfers *	-	-	-	2'348	-	**2'348**
Exchange differences	(19)	2	-	(258)	(2)	**(277)**
BALANCE DECEMBER 31, 2022	**(7'203)**	**(3'164)**	**(84)**	**(5'029)**	**(84)**	**(15'564)**
NET BOOK VALUE						
BALANCE JANUARY 1, 2022	**8'619**	**2'586**	**59**	**12'668**	**439**	**24'371**
BALANCE DECEMBER 31, 2022	**9'569**	**3'272**	**64**	**16'789**	**570**	**30'264**

* The total balance included in "Transfers" refers to the re-classification from "Right-of-Use Assets" to "Property, plant and Equipment" after the leased assets were acquired.

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.

The Group leases several assets. The average lease term is 7 years for buildings, 3 years for motor vehicles, 5 years ITC equipment, 7 years for plants and machineries and 6 years for other fixtures and fittings, tool and equipment.

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

For the disclosure of the related lease liabilities see Note 6.17 "Financial and lease liabilities" paragraph "Lease liabilities".

AMOUNTS RECOGNISED IN PROFIT OR LOSS

Medacta Group recognised the following amounts in the Consolidated Statement of Profit or Loss as of December 31, 2022 and 2021:

(Thousand Euro)	31.12.2022	31.12.2021
Depreciation charge of right-of-use assets	(5'627)	(4'543)
Interest expense (included in financial costs)	(496)	(324)
Expense relating to short-term leases	(129)	(123)
Expense relating to leases of low-value assets that are not short-term leases	(41)	(50)

The total cash outflow for leases including short-term leases and low-value-assets in 2022 amount to Euro 7'813 thousand (Euro 6'512 thousand in 2021).

6.9 GOODWILL AND INTANGIBLE ASSETS

INTANGIBLE FIXED ASSETS

December 31, 2022 (Thousand Euro)	Development Costs	Customer Lists	Goodwill	Other intangible assets	Total
HISTORICAL COST					
BALANCE JANUARY 1, 2022	**55'992**	**15'975**	**59**	**24'169**	**96'195**
Additions	6'659	-	-	1'203	7'862
Disposals	(74)	-	-	-	(74)
Exchange differences	2'801	152	-	946	3'899
BALANCE DECEMBER 31, 2022	**65'378**	**16'127**	**59**	**26'318**	**107'882**
ACCUMULATED AMORTISATION					
BALANCE JANUARY 1, 2022	**(20'124)**	**(5'160)**	**-**	**(18'936)**	**(44'220)**
Amortisation of the year	(7'866)	(1'077)	-	(2'151)	(11'094)
Impairment loss	(517)	-	-	-	(517)
Disposals	-	-	-	-	-
Exchange differences	(1'095)	(27)	-	(741)	(1'863)
BALANCE DECEMBER 31, 2022	**(29'602)**	**(6'264)**	**-**	**(21'828)**	**(57'694)**
NET BOOK VALUE					
BALANCE JANUARY 1, 2022	**35'868**	**10'815**	**59**	**5'233**	**51'975**
BALANCE DECEMBER 31, 2022	**35'776**	**9'863**	**59**	**4'490**	**50'188**

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)**
Amortisation 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**

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 licenses to distribute products.

The increase of Customer list in 2021 was 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 while the related pay-out occurred in 2022.

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 517 thousand in 2022 (Euro 397 thousand in 2021), and losses for the derecognition of projects amounting as of December 31, 2022 to Euro 74 thousand (Euro 419 thousand in 2021).

For the purpose of the annual impairment test, performed on data as of September 30, 2022, In-Process Research and Development projects (IPR&D) for a total amount of Euro 9'818 thousand were allocated to cash-generating-units (CGU) corresponding to Product Families. 35 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 2022 and 2021.

The discount rate applied in the valuation model, amounting to 8.3%, considers the Group's weighted average cost of capital, adjusted to approximate the weighted average cost of capital of a comparable market participant.

The value in use was reviewed for the eventual impact of reasonably possible changes in key assumptions:

- an increase of 2 percentage points in the discount rate would lead to an impairment loss amounting to Euro 157 thousand.
- a decrease of 25.0% in forecasted revenues would lead to an impairment loss amounting to Euro 983 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 include the following items:

(Thousand Euro)	31.12.2022	31.12.2021
Forward Currency Contracts	802	-
Rent deposit	481	479
TOTAL OTHER FINANCIAL ASSETS	**1'283**	**479**
Current	802	-
Non-Current	481	479

Forward Currency Contracts as of December 31, 2022 is related to the positive fair value of derivative financial instruments, amounting to Euro 802 thousand. As of December 31, 2021, the fair value of derivative financial instruments was negative (Euro 39 thousand), and therefore was 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)	31.12.2022	31.12.2021
Current income taxes	7'699	8'504
Deferred income taxes	844	(4'574)
TOTAL INCOME TAXES	**8'543**	**3'930**

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)	31.12.2022	31.12.2021
Profit before taxes	54'792	55'451
AVERAGE TAX RATE	**19.1%**	**16.8%**
TAX AT AVERAGE TAX RATE	**10'461**	**9'310**
Patent Box deduction	(1'746)	(3'517)
AVERAGE TAX RATE NET OF DEDUCTIONS	**15.9%**	**10.4%**
+ / - EFFECTS OF		
Expenses not subject to tax, net	558	394
Revenues not subjected to tax, net	(7)	(14)
Effects from previous years	(23)	(798)
Change in tax rates on deferred tax balances	(849)	(1'532)
Other	149	87
TOTAL INCOME TAXES	**8'543**	**3'930**
EFFECTIVE INCOME TAX RATE (%)	**15.6%**	**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 Group's average tax rate increased to 19.1% in 2022 from 16.8% in 2021, negatively affected by a change in the profit mix. This effect is the consequence of the increasing profitability of Medacta USA compared to prior period, also due to the impact of the provision accrued in 2021 on the MicroPort litigation, which resulted in a lower average tax rate due to the recognition of a deferred tax asset on tax losses generated by the entity.

Medacta International SA benefits, since 2020, from a special tax deduction from taxable profits for qualifying profits arising from patent rights ("Patent Box deduction"), which has a positive impact in 2022 amounting around Euro 1.7 million (Euro 3.5 million in 2021), corresponding to a positive impact on the effective tax rate for 3.2% (6.3% in 2021).

The Swiss tax reform enacted a lower tax rate that will apply starting from January 1, 2025. This change in tax rate resulted in a lower net deferred tax liability due to the revaluation of temporary differences expected to reverse after 2024, with a positive impact on temporary differences amounting to Euro 0.8 million in 2022 (around Euro 1.4 million in 2021).

Finally, in 2021 Medacta International SA recognised a positive impact amounting to approximately Euro 0.9 million due to the settlement of previous years' taxes accrued in excess.

The Group has not recognised deferred tax liabilities in respect of taxable unremitted earnings that are considered indefinitely invested in foreign subsidiaries. As of December 31, 2022, those unremitted earnings retained by consolidated entities amount to Euro 9'302 thousand (2021: Euro 2'717 thousand).

DEFERRED INCOME TAXES

The Group recognises in the Consolidated Financial Statements as of December 31, 2022 the gross amounts of Deferred tax assets and Deferred tax liabilities, respectively amounting to Euro 31'659 thousand and to Euro 44'619 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, 2022, 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)	31.12.2022	31.12.2021
Net deferred tax assets	31'659	29'029
Net deferred tax liabilities	(44'619)	(39'837)
TOTAL NET DEFERRED TAXES	**(12'960)**	**(10'808)**

The amount netted between deferred tax assets and deferred tax liabilities is equal to Euro 8'329 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, 2022 (Thousand Euro)	Property, plant and equipment	Inventories, receivables, provisions and other liabilities	Tax losses carried forward	Total
BALANCE JANUARY 1, 2022	**1'978**	**33'409**	**2'683**	**38'070**
Deferred taxes recognised in the income statement	196	2'018	(1'374)	840
Deferred taxes recognize in OCI	-	(852)	-	(852)
Exchange differences	15	1'743	172	1'930
BALANCE DECEMBER 31, 2022	**2'189**	**36'318**	**1'481**	**39'988**

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**

As per December 31, 2022 and 2021, there were no unrecognised tax losses carried forward.

DEFERRED TAX LIABILITIES

as at December 31, 2022 (Thousand Euro)	Property, plant and equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Total
BALANCE JANUARY 1, 2022	**24'052**	**5'195**	**19'631**	**48'878**
Deferred taxes recognised in the income statement	1'206	(679)	1'157	1'684
Deferred taxes recognize in OCI	-	-	-	-
Exchange differences	1'343	95	948	2'386
BALANCE DECEMBER 31, 2022	**26'601**	**4'611**	**21'736**	**52'948**

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**

6.12 INVENTORIES

Inventories are composed of the following items:

INVENTORIES

(Thousand Euro)	31.12.2022	31.12.2021
Raw materials	26'705	19'128
Work in progress and semifinished goods	18'050	14'484
Finished goods	115'546	102'479
TOTAL INVENTORIES	**160'301**	**136'091**

The cost of inventories recognised in "Cost of Sales" as of December 31, 2022 includes Euro 3'392 thousand (Euro 2'592 thousand in 2021) in respect of write-downs of inventory to net realisable value for slow moving, phase out and obsolete stock. In 2022 the inventory reserve has been utilized by Euro 690 thousand (Euro 1'183 thousand in 2021).

6.13 TRADE RECEIVABLES

(Thousand Euro)	31.12.2022	31.12.2021
Trade receivable, gross	80'406	61'988
Loss allowance on trade receivables	(2'449)	(2'552)
TOTAL TRADE RECEIVABLES	**77'957**	**59'436**

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, 2022 (Thousand Euro)	**Not Credit Impaired**	**Credit Impaired**	**Total**
Trade receivables, gross	78'000	2'406	**80'406**
Expected Credit Loss allowance	(872)	(1'577)	**(2'449)**

TRADE RECEIVABLES AGING (NOT CREDIT IMPAIRED)

December 31, 2022 (Thousand Euro)	**Total**	**Not past due**	**0-30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**181-360 days**	**Over 360 days**
Trade receivables (not credit impaired), gross	**78'000**	57'380	11'066	3'320	2'160	2'364	953	757
Expected Credit Loss rate (%) *		0.2%	0.6%	1.4%	2.0%	7.7%	23.1%	29.4%
Expected Credit Loss allowance	**(872)**	(90)	(69)	(45)	(43)	(183)	(220)	(222)

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

December 31, 2021 (Thousand Euro)	**Not Credit Impaired**	**Credit Impaired**	**Total**
Trade receivables (credit impaired), 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 macroeconomic factors in each of the countries where the Group operates.

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

(Thousand Euro)	**2022**	**2021**
BALANCE AS AT JANUARY 1	**(2'552)**	**(988)**
Change in loss allowance and write-offs	(59)	(1'618)
Amounts recovered (utilization of loss allowance)	226	62
Exchange differences	(64)	(8)
TOTAL LOSS ALLOWANCE ON TRADE RECEIVABLES AS AT DECEMBER 31	**(2'449)**	**(2'552)**

6.14 OTHER RECEIVABLES AND PREPAID EXPENSES

(Thousand Euro)	31.12.2022	31.12.2021
Other tax receivables	6'445	7'343
Advance to suppliers	1'949	1'469
Prepaid expenses	3'183	2'779
Other receivables	763	512
TOTAL OTHER RECEIVABLES AND PREPAID EXPENSES	**12'340**	**12'103**

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)	31.12.2022	31.12.2021
Cash on hand	133	32
Current bank accounts	32'128	20'372
TOTAL CASH AND CASH EQUIVALENTS	**32'261**	**20'404**

Bank accounts and term deposits are mainly denominated in CHF, EUR and USD. For details of the movements in cash and cash equivalents refer to the Consolidated Statement of Cash Flows.

6.16 MEDACTA GROUP STOCKHOLDERS' EQUITY

SHARE CAPITAL

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

All issued ordinary shares give the same voting and dividend rights. Also, all the issued shares by Medacta Group SA are 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

On May 19, 2022 shareholders approved the distribution of CHF 10.7 million or CHF 0.535 per share (Euro 10'418 thousand), half of it distributed as dividend out of available earnings and half of it distributed out of accumulated reserves from capital contribution.

The Board of Directors proposes to the Annual General Meeting of Medacta Group SA on April 27, 2023, a distribution of CHF 10.8 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, started to repurchase its own outstanding shares to fund the share-based compensation award cycles. Treasury shares are valued at weighted average cost and have been deducted from equity. As of December 31, 2022 the number of treasury shares amounted to 39'857 (10'007 as of December 31, 2021), corresponding to CHF 4'272'340 equivalent to Euro 4'159 thousand (CHF 1'342'660 equivalent to Euro 1'242 thousand as of December 31, 2021).

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

Following table summarizes the composition of Financial liabilities:

FINANCIAL LIABILITIES

(Thousand Euro)	31.12.2022	31.12.2021
Bank loans and credit facilities, current *	6'619	63'776
Forward Currency Contracts	-	39
Other current financial liabilities	472	671
TOTAL FINANCIAL LIABILITIES, CURRENT	**7'091**	**64'486**
Bank loans, non-current	135'896	47'702
Other non-current financial liabilities	1'696	1'850
TOTAL FINANCIAL LIABILITIES, NON-CURRENT	**137'592**	**49'552**
TOTAL FINANCIAL LIABILITIES	**144'683**	**114'038**
Total secured bank loans	20'267	16'494
Total non-secured bank loans	122'248	94'984

* In 2021, "Bank loans and credit facilities, current" included Euro 38'572 thousand related to credit lines with no maturity date.

As of December 31, 2022, financial liabilities include bank loans and credit facilities for a total amount of Euro 142'515 thousand (Euro 111'478 thousand as of December 31, 2021). The net change is primarily related to proceeds from borrowings (amounting to Euro 59'161 thousand) to finance investments, operating activities and the payment of dividends. The repayments in 2022 amount to Euro 35'242 thousand. In May 2022, the Group amended some of the credit agreements, changing the payment terms of some of the existing bank loans and credit facilities, prolonging the payments originally due in 2022 until 2024 to a new amortisation schedule that extends the terms until 2028. This is reflected in the classification within current or non-current financial liabilities in the Consolidated Statement of Financial Position as of December 31, 2022: Euro 6'619 thousand current and Euro 135'896 thousand non-current. As of December 31, 2021, current bank loans and credit facilities amounted to Euro 63'776 thousand, non-current bank loans amounted to Euro 47'702 thousand.

Bank loans reflect credit and loan facilities with third party financial institutions and are recognised at amortised cost using the effective interest method. The interest rates on these facilities are floating and based on internal bank refinancing rate + Spread of between 0.75% and 1.00%.

Certain of the credit agreements include financial covenants requiring Medacta International SA to maintain a debt to EBITDA ratio of no more than 3.0x (as defined in the relevant agreement), a pari passu clause, and various negative covenants restrictions, among other things (and typically subject to certain exceptions): the incurrence of further indebtedness, the granting of security for indebtedness, and the consummation of certain acquisitions, disposals or re-organizations.

As of December 31, 2022 and 2021, the Group had unused current credit lines of Euro 109'316 thousand and Euro 103'886 thousand, respectively.

At December 31, 2022, "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 2'168 thousand (Euro 2'300 thousand in 2021), of which Euro 1'696 thousand within "Other non-current financial liabilities" (Euro 1'850 thousand in 2021) and Euro 472 thousand within "Other current financial liabilities" (Euro 450 thousand in 2021). In addition, "Other current financial liabilities" at December 31, 2021 included Euro 220 thousand related to the acquisition of a customer list, entirely paid during 2022 (see Note 6.9 "Goodwill and intangible assets").

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

(Thousand Euro)	31.12.2022	31.12.2021
Australian Dollar (AUD)	1'910	1'916
Euro (EUR)	2'500	6'220
Japanese Yen (JPY)	3'206	3'439
Swiss Franc (CHF)	89'507	33'588
US Dollar (USD)	47'560	68'875
TOTAL FINANCIAL LIABILITIES	**144'683**	**114'038**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Thousand Euro)	Non-current financial debts	Current financial debts	Total
BALANCE JANUARY 1, 2022	**49'552**	**64'486**	**114'038**
Increase in financial debts *	55'715	3'770	59'485
Repayment of financial debts **	(2'070)	(33'641)	(35'711)
Change in fair values and other changes	-	-	-
Reclass from non-current to current	29'908	(29'908)	-
Currency translation differences	4'487	2'384	6'871
BALANCE DECEMBER 31, 2022	**137'592**	**7'091**	**144'683**

* "Increase in financial debts" includes proceeds from borrowings amounting to Euro 59'161 thousand and Euro 324 thousand related to the unpaid accrued interests.

** "Repayment of financial debts" includes repayment of borrowings for Euro 35'242 thousand, Euro 249 thousand related to the repayment of contractual liabilities for the acquisition of development intangible assets classified in the Consolidated Statement of Cash Flow within "Purchase of intangible assets" within cash flow from investing activities and Euro 220 thousand related to the payment of the Levante medica asset purchase acquisition, presented in the Consolidated Statement of Cash Flow within "Cash consideration for acquisition, net of cash acquired".

(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.

LEASE LIABILITIES

Total lease liabilities amount to Euro 27'733 thousand as of December 31, 2022 (Euro 21'184 thousand in 2021), thereof Euro 6'362 thousand current (Euro 5'714 thousand in 2021) and Euro 21'371 thousand non-current (Euro 15'470 thousand in 2021). Maturity analysis of undiscounted lease liabilities less unearned interests is reported in the table below:

as at December 31, 2022 (Thousand Euro)	Up to 1 year	1 year to 5 years	More than 5 years	Less: unearned interests	Total
Lease liabilities	7'046	17'508	5'487	(2'308)	**27'733**

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	5'868	12'417	3'940	(1'041)	**21'184**

The Group does not face a significant liquidity risk with regard to its lease liabilities. As of December 31, 2022 the Group is committed to leases not yet commenced for approximately Euro 4.8 million.

The table below shows the movement of lease liabilities for the years ended December 31, 2022 and December 31, 2021:

(Thousand Euro)	2022	2021
BALANCE AT JANUARY 1	**(21'184)**	**(19'043)**
Additions	(12'716)	(7'421)
Modification, termination, expiration	23	(3)
Repayment of lease liabilities	7'146	6'015
Exchange differences	(1'002)	(732)
BALANCE AT DECEMBER 31	**(27'733)**	**(21'184)**

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)	31.12.2022	31.12.2021
Liabilities to tax authorities	189	2'202
Legal matters	4'388	5'891
Other	72	30
TOTAL OTHER NON-CURRENT LIABILITIES	**4'649**	**8'123**
Liabilities to tax authorities	9'422	6'843
Liabilities to social security	2'933	1'684
Other debts towards employees	1'198	146
Legal matters	1'869	1'759
Other	93	570
TOTAL OTHER CURRENT LIABILITIES	**15'515**	**11'002**

"Legal matters" include the liability relating to the settlement agreement signed in 2021 with MicroPort Inc. According to the agreement, in 2021 Medacta USA paid to MicroPort Inc. the sum of USD 7 million and committed to pay the sum of USD 5 million over a term of seven years and to contribute to marketing activities to be paid over a period of four years. As of December 31, 2022 the total liability is equal to Euro 6'257 thousand (Euro 7'650 thousand as of December 31, 2021), out of which Euro 4'388 thousand classified as non-current and Euro 1'869 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)	2022	2021
BALANCE AT JANUARY 1	**1'534**	**9'636**
Increases	5'724	5'006
Decreases	(3'493)	(13'717)
Exchange differences	33	609
BALANCE AT DECEMBER 31	**3'798**	**1'534**
Thereof current	120	349
Thereof non-current	3'678	1'185

In 2022, "Increases" include the accruals for: the Italian payback scheme litigation, amounting to Euro 3'085 thousand; the patent matter with Conformis, amounting to Euro 2'208 thousand; the patent matter with RSB, amounting to Euro 332 thousand. "Decreases" are related to the payments according to the settlement agreements with the counterparts: Euro 2'914 thousand for the patent matter with Conformis; Euro 332 thousand for the patent matter with RSB; Euro 247 thousand for the settlement of product related liabilities. For further information related to the above-mentioned litigations, refer to Note 6.25 "Litigations".

In 2021, "Increases" was primarily related to the accrual, amounting to Euro 4'821 thousand, to align the provision already recognised in 2020 to the settlement agreement with MicroPort. "Decreases" included 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 and Euro 1'901 thousand in 2022.

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 4'142 thousand in the year ended December 31, 2022 (2021: Euro 3'682 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, 2022 and 2021:

AMOUNT RECOGNISED IN THE BALANCE SHEET

(Thousand Euro)	31.12.2022	31.12.2021
Defined benefit plan Switzerland	5'462	8'926
Defined benefit plan Italy	442	388
Other non-current employee benefits		
Retention plan Switzerland	1'319	1'378
French collective conventions	199	303
Retention plan Australia	600	518
Retention plan Austria	108	69
Retention plan Japan	732	563
RETIREMENT BENEFIT OBLIGATIONS	**8'862**	**12'145**

The macroeconomic environment had a significant impact on asset prices as well as yields. The discount rate utilized for the actuarial evaluation of the Switzerland defined benefit plan increased from 0.2% as of December 31, 2021 to 2.3% as of December 31, 2022. As a consequence, the Group recognised a remeasurement of defined benefit obligations amounting to a gain of Euro 4'915 thousand in the Consolidated Statement of Comprehensive Income in 2022, primarily related to the remeasurement of defined benefit pension plans in Switzerland due to the changes in the discount rates used to calculate the actuarial defined benefit obligations, partially offset by actuarial losses from valuation impact on plan assets (refer also to the following paragraph "Components of remeasurement of defined benefit plans recognised in OCI").

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, 2022, 831 employees (2021: 713 employees) and 7 beneficiaries (2021: 3 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 15.1 years (2021: 19.1 years).

The plan contains a cash balance benefit formula. Under Swiss law, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

The result of the Swiss benefit plan is summarised below:

AMOUNT RECOGNISED IN THE BALANCE SHEET

(Thousand Euro)	31.12.2022	31.12.2021
Present value of defined benefit obligations	(35'463)	(37'827)
Fair value of plan assets	30'001	28'901
RETIREMENT BENEFIT OBLIGATIONS	**(5'462)**	**(8'926)**

REMEASUREMENT RECOGNISED IN EQUITY

(Thousand Euro)	2022	2021
BALANCE AT JANUARY 1	**487**	**3'130**
Remeasurement of defined benefit obligations	(8'057)	(1'472)
Return on plan assets excl. interest income	3'142	(1'191)
Exchange differences	(53)	20
BALANCE AT DECEMBER 31	**(4'481)**	**487**

COMPONENTS OF REMEASUREMENT OF DEFINED BENEFIT PLANS RECOGNISED IN OCI

(Thousand Euro)	31.12.2022	31.12.2021
Changes in financial assumptions	(8'905)	-
Changes in demographical assumptions	-	(2'337)
Experience adjustments	847	865
Return on plan assets excluding interest income	3'143	(1'191)
REMEASUREMENT OF DEFINED BENEFIT PLANS	**(4'915)**	**(2'663)**

In 2022, "Changes in financial assumptions" is related to the change in the discount rate, which increased from 0.2% in 2021 to 2.3% in 2022.

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

"Experience adjustments", both in 2022 and in 2021, 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)	31.12.2022	31.12.2021
Current service cost	2'789	2'547
Participants' contributions	(1'748)	(1'465)
Administration cost	20	17
Net interest cost	19	21
TOTAL EMPLOYEE BENEFIT EXPENSES	**1'080**	**1'120**

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

- Cost of Sales Euro 440 thousand (2021: Euro 422 thousand);
- Research and Development Euro 126 thousand (2021: Euro 146 thousand);
- Sales and Marketing expenses Euro 216 thousand (2021: Euro 235 thousand);
- General and Administrative expenses Euro 278 thousand (2021: Euro 297 thousand).

MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

(Thousand Euro)	2022	2021
BALANCE AT JANUARY 1	**37'827**	**34'002**
Interest cost	82	72
Current service cost	2'789	2'547
Contribution by plan participants	1'615	1'368
Benefits deposited/(paid), net	(573)	(236)
Administration cost	20	17
Actuarial loss on obligation	(8'057)	(1'472)
Exchange differences	1'760	1'529
PRESENT VALUE OF OBLIGATIONS AT DECEMBER 31	**35'463**	**37'827**

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)	31.12.2022	31.12.2021
Cash and cash equivalents	1'221	1'055
Equity instruments	14'512	10'060
Debt instruments (e.g. bonds)	12'731	10'277
Real estate	-	6'688
Others	1'537	821
TOTAL	**30'001**	**28'901**

MOVEMENT IN THE FAIR VALUE OF THE PLAN ASSETS

(Thousand Euro)	2022	2021
BALANCE AT JANUARY 1	**28'901**	**23'895**
Interest income on plan asset	62	51
Employer's contributions paid	1'748	1'465
Participants' contributions	1'615	1'368
Benefits deposited/(paid), net	(573)	(236)
Return on plan assets excluding interest income	(3'142)	1'191
Exchange differences	1'390	1'167
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**30'001**	**28'901**

The principal actuarial assumptions are as follows:

	31.12.2022	31.12.2021
Discount rate	2.3%	0.2%
Future salary increase	1.0%	1.0%
Interest rate on retirement saving capital *	2.3%	0.5%
Demography	BVG2020GT	BVG2020GT

* Medacta is applying risk sharing.

The following sensitivity analysis shows how the present value of the benefit obligation for the Swiss retirement benefit plan would change if one of the principal actuarial assumptions were changed.

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

SENSITIVITY ANALYSIS – DEFINED BENEFIT OBLIGATION

(Thousand Euro)	31.12.2022	31.12.2021
DISCOUNT RATE		
Discount rate + 0.25%	34'202	36'102
Discount rate - 0.25%	36'818	39'706
SALARY GROWTH		
Salary growth + 0.25%	35'757	38'232
Salary growth - 0.25%	35'177	37'435
INTEREST RATE GROWTH		
Interest rate growth + 0.25%	36'063	38'521
Interest rate growth - 0.25%	34'882	37'155
LIFE EXPECTANCY		
Life expectancy + 1 year	35'847	38'471
Life expectancy - 1 year	35'074	37'186

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2022 by Allvisa Services 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 1.9 million to the defined benefit plans during the next Financial Year 2023.

INTEREST RATE RISK

The rate used to discount post-employment benefit obligations has been determined by reference to market yields at the balance sheet date on high quality corporate bonds.

A decrease in the bond interest rate will increase the plan liability.

LONGEVITY RISK

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants, both during and after their employment.

An increased life expectancy of the plan participants will increase the plan's liability.

SALARY RISK

Salary increase is Company specific. The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants.

As such, an increase in the salary of the plan participants will increase the plan's liability.

OTHER NON-CURRENT EMPLOYEE BENEFITS

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 2'958 thousand at December 31, 2022 (2021: Euro 2'832 thousand).

6.21 SHARE-BASED PAYMENT TRANSACTIONS

In 2021 the Board of Directors implemented the Performance Share Plan ("The Plan") proposed by the Remuneration Committee. On March 9, 2022, the Board of Directors approved the 2022 share-based payment cycle proposed by the Human Resources & Remuneration Committee, that was open to eligible participants starting in April, 2022. 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 recognised for share-based payments in 2022 is equal to Euro 1'148 thousand.

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS	2022	2021
TOTAL AT JANUARY 1	**20'226**	**-**
Granted	22'175	20'810
Exercised	-	-
Forfeited	(847)	(584)
TOTAL AT DECEMBER 31	**41'554**	**20'226**
Exercisable at December 31	-	-

In 2022, 22'175 PSUs were granted under the LTI (2021: 20'810). The total fair value has been determined using a Monte Carlo simulation algorithm and amounts to CHF 116.27 (2021: CHF 101.47).

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

INPUTS TO THE MODEL	Award Cycle 2022	Award Cycle 2021
Dividend yield (in %)	-	-
Expected volatility (in %)	41.14%	42.32%
Risk-free interest rate (in %)	-	-
Expected life of PSUs (in years)	3	3
Share price (in CHF) at grant date in April	114.72	104.74
Fair value (in CHF)	116.27	101.47

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the instruments is indicative of future trends, which may not necessarily be the actual outcome.

6.22 TRADE PAYABLES

Accounts payable of Euro 28'480 thousand (2021: Euro 25'951 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)	31.12.2022	31.12.2021
Consulting fees	4'915	3'995
Royalties and commissions due	6'996	6'115
Accrued vacation expenses	3'688	3'703
Accrued bonuses	12'396	12'317
Assurances	215	75
Other accrued expenses/deferred income	3'284	2'850
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**31'494**	**29'055**

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, 2022 and 2021 respectively:

(Thousand Euro)	31.12.2022	31.12.2021
Hip	203'588	179'285
Knee	164'477	131'062
Shoulder	26'284	18'424
Spine	41'536	33'792
Sportsmed	1'237	563
TOTAL	**437'122**	**363'126**

In 2022, revenues include a negative impact, amounting to Euro 872 thousand, established in connection with the activation of the Italian government payback provision. Such reserves were estimated based on the publicly available information and considering Medacta's current year sales to Italian government hospitals. The Italian payback law is a mechanism to obtain from suppliers a contribution to offset variances occurring when Italian government expenditures exceed their ceiling for the purchase of medical devices.

6.24.2 ANALYSIS OF EXPENSES

PERSONNEL EXPENSES

Personnel expenses as of December 31, 2022 and 2021 are as follows:

(Thousand Euro)	31.12.2022	31.12.2021
Wages and salaries	112'417	93'568
LTIP Employee benefit expense	1'148	468
Social security costs	13'472	11'311
Pension costs and other personnel expense	9'948	9'020
TOTAL PERSONNEL EXPENSES	**136'985**	**114'367**

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

PERSONNEL EXPENSES BY FUNCTION

(Thousand Euro)	31.12.2022	31.12.2021
Cost of Sales	20'542	15'908
Research and Development expenses	4'727	3'958
Sales and Marketing expenses	75'825	63'799
General and Administrative expenses	35'891	30'702
TOTAL PERSONNEL EXPENSES BY FUNCTION	**136'985**	**114'367**
AVERAGE NR OF EMPLOYEES DURING THE YEAR	**1'439**	**1'262**

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, Amortisation and Impairment, at December 31, 2022 and 2021 are as follows:

(Thousand Euro)	31.12.2022	31.12.2021
Cost of Sales	34'048	27'567
Research and Development expenses	8'386	5'162
Sales and Marketing expenses	3'905	3'536
General and Administrative expenses	5'171	4'171
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT BY FUNCTION	**51'510**	**40'436**

Impairment included in line Research and Development is equal to Euro 517 thousand in 2022 (Euro 397 thousand in 2021). 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, 2022 and 2021 are composed of the following expense categories:

(Thousand Euro)	31.12.2022	31.12.2021
Personnel expenses	35'891	30'702
Depreciation and amortisation	5'171	4'171
Consulting expenses	9'578	9'930
Business and administrative expenses (i.e. insurance, maintenance, BoD and audit fees)	9'288	6'959
Provisions	2'610	4'941
Travel and accommodation	614	308
Various taxes	1'062	1'106
Miscellaneous expenses	1'233	727
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE	**65'447**	**58'844**

In 2022 "Consulting expenses" include: approximately Euro 2'051 thousand (Euro 3'428 thousand in 2021) of legal expenses, out of which Euro 1'224 thousand related to patent matters (Euro 2'966 thousand in 2021 related to MicroPort and patent matters); Euro 7'527 thousand (Euro 6'502 thousand in 2021) related to clinical studies, IT, Audit, Tax and other consulting expenses.

In 2022 "Provisions" include the settlement of the legal claims with Conformis and RSB, respectively equal to Euro 2'207 thousand and Euro 332 thousand, in 2021 it included the accrual for the MicroPort matter after the settlement agreement, amounting to Euro 4'601 thousand.

RESEARCH AND DEVELOPMENT EXPENSES

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 2022 of Euro 16'223 thousand (Euro 11'306 thousand in 2021).

Development costs eligible for capitalization amounts to Euro 6'659 thousand in 2022 and Euro 8'091 thousand in 2021.

6.24.3 OTHER INCOME / (EXPENSES)

Other income amount to Euro 1'570 thousand as of December 31, 2022 (Euro 1'536 thousand in 2021) and are mainly related to miscellaneous expenses rebilled to third parties.

Other expenses amount to Euro 4'098 thousand as of December 31, 2022 (Euro 1'301 thousand in 2021) and include:

- Euro 3'085 thousand related to the provision for the Italian payback on medical devices (see Note 6.25 "Litigations", paragraph "Italian Payback scheme litigation");
- Euro 498 thousand (Euro 324 thousand in 2021), related to contributions made to non-profit organizations.

6.24.4 FINANCIAL INCOME/(COSTS)

FINANCIAL INCOME

(Thousand Euro)	31.12.2022	31.12.2021
Interest income loans and receivables	348	332
Foreign exchange gains	2'483	1'986
TOTAL FINANCIAL INCOME	**2'831**	**2'318**

Financial income amounts to Euro 2'831 thousand as of December 31, 2022 (Euro 2'318 thousand in 2021). Financial income as of December 31, 2022 includes realized and unrealized foreign exchange profit for Euro 2'483 thousand (Euro 1'986 thousand in 2021).

FINANCIAL (COSTS)

(Thousand Euro)	31.12.2022	31.12.2021
Interest on loans and borrowings	(3'167)	(3'118)
Losses on revaluation of financial instruments at fair value through profit or loss	(381)	(1'248)
Foreign exchange losses	(5'459)	(954)
Interest expense on lease contracts	(496)	(324)
TOTAL FINANCIAL (COSTS)	**(9'503)**	**(5'644)**
TOTAL FINANCIAL INCOME/(COSTS), NET	**(6'672)**	**(3'326)**

Financial costs amount to Euro 9'503 thousand as of December 31, 2022 (Euro 5'644 thousand in 2021). Financial costs include interest on borrowings for Euro 2'168 thousand (Euro 1'374 thousand in 2021), bank commissions and other interest expenses for Euro 999 thousand (Euro 1'744 thousand in 2021), losses on revaluation of financial instruments at fair value for Euro 381 thousand (Euro 1'248 thousand in 2021), realized and unrealized foreign exchange losses for Euro 5'459 thousand (Euro 954 thousand in 2021).

6.25 LITIGATIONS

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, RSB dropped its infringement allegations involving one patent, and RSB added an infringement allegation against Medacta's Mecta-C Stand Alone – Flush implant. The district court entered its Markman opinion about the scope of the asserted patent, and the parties completed fact discovery in February 2022.

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

CONFORMIS, INC. VS MEDACTA USA, INC. AND CONFORMIS, INC. VS MEDACTA INTERNATIONAL SA AND MEDACTA GERMANY GMBH

On August 29, 2019, Conformis filed a patent infringement complaint against Medacta USA, Inc. in the District of Delaware (USA) alleging that Medacta's MyKnee, MyHip, and MyShoulder products infringe four patents directed to spinal implants. Conformis was seeking monetary damages. Medacta's response to the complaint was filed on December 2, 2019, and as a result, the MyHip product was dismissed from the case. Medacta believes the accused products do not infringe the patents- in-suit and that these patents are invalid. The parties initially completed fact discovery and exchanged expert reports. However, the Court permitted Conformis to file an amended complaint adding Medacta International as a defendant. Therefore, the parties engaged in limited supplemental fact and expert discovery periods. After the completion of fact and expert discovery, the Court permitted Conformis to file an amended complaint adding Medacta International as a defendant. Trial was set to begin October 30, 2022.

With complaint dated October 18, 2021, Conformis, Inc. also filed a patent infringement complaint against Medacta Germany GmbH 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. Conformis, Inc. was 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. In response

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

The discussions held between the Parties have led to a settlement and license agreement that resolves all patent disputes between the companies: the agreement has been signed on November 8, 2022, enshrining the end of both lawsuits, for a total amount of USD 3.1 million due to Conformis, Inc.

The Group, according to IAS 37, recognised a provision equal to USD 3.1 million (Euro 2.9 million) fully paid in 2022 (Euro 0.7 million were already accrued in 2020).

MIGHTY OAK MEDICAL VS MEDACTA USA AND MEDACTA INTERNATIONAL

A patent infringement case was filed on December 22, 2022 against Medacta USA and Medacta International in the District of Delaware. The plaintiff is Mighty Oak Medical, and it is alleging infringement of five patents by several of the MySpine products. They are also alleging that the infringement has been willful.

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

ITALIAN PAYBACK SCHEME LITIGATION

In 2011, during a period of severe crisis in the Italian economy the payback scheme was introduced, a mechanism to obtain from suppliers a contribution to offset variances occurring when Italian government expenditures exceed their ceiling for the purchase of medical devices. Such a measure was similar to the payback scheme introduced in 2008 in relation to overruns of the pharmaceutical expenditure ceiling, which for many years has been the subject of legal disputes that have often led to its significant containment.

At the end of September 2022, three measures had been issued in Italy:

- article 18 of Law Decree 115/2022, known as the "Aiuti bis" decree, converted into Law 142/2022, gave the starting signal for the payback procedure and set out its timeframe;
- a decree of the Ministry of Health in agreement with the Ministry of Economics and Finance, dated July 6, 2022 and published in the Official Gazette of September 15, 2022. This certifies the spending overrun for medical devices at a national and regional level for the years 2015-2018, by approximately Euro 2 billion;
- a decree of the Ministry of Health in agreement with the Ministry of Economics and Finance, dated October 6, 2022 and published in the Official Gazette of October 26, 2022. This decree provides for the guidelines for the issuance of the regional measures for the 2015-2018 medical device payback rules.

There are strong doubts as to the legitimacy of the payback system for medical devices overall, especially in terms of the retroactivity of the measures, numerous critical issues in the application of the rules and in relation to possible calculation errors. Medacta legal representation, along with all the Italian Medical devices associations, decided to appeal the Decree of the Ministry of Health dated October 6, 2022 and the consequent deeds of the Regions which asked for the payment by January 30, 2023 (deadline postponed by the Government to April 30, 2023).

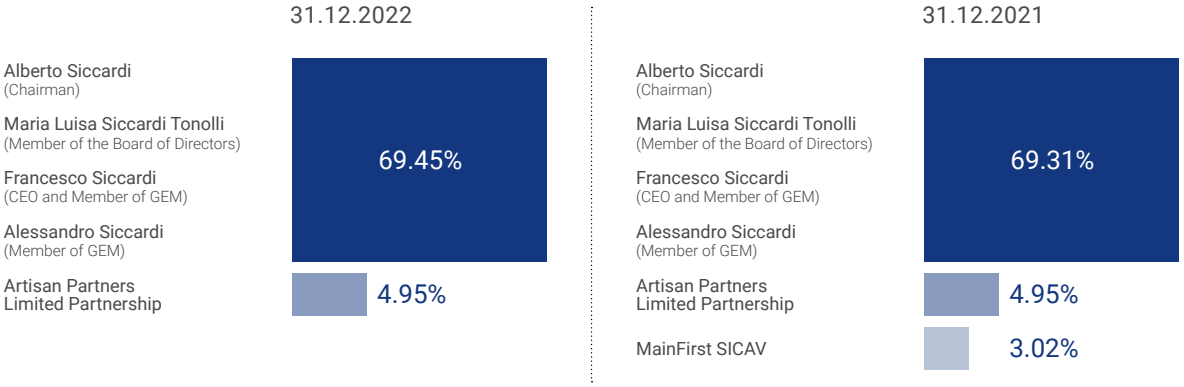
In connection with the above litigation, the Group recognised a provision of approximately Euro 3.1 million accrued in 2022.

6.26 RELATED PARTY TRANSACTIONS

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

The following shareholders hold a participation of more than 3% of the issued share capital of the Group's ultimate parent Medacta Group SA:

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



OPERATING TRANSACTIONS

In 2022 Medacta International made contributions to Medacta for Life Foundation for Euro 498 thousand (Euro 324 thousand in 2021), a non-profit organization owned by the Siccardi Family.

Mr. Philippe Weber is a member of the Board of Directors of Medacta Group SA. Niederer Kraft Frey Ltd, a law firm at which Mr. Philippe Weber is a partner, provided legal services to the Group. The fees for his professional services provided during the year 2022 are recognised in the General and Administrative expense line item for an amount equal to Euro 24 thousand (in 2021 Euro 40 thousand).

Dr. Alberto Siccardi, Chairman of the Board of Directors of Medacta Group SA, and Mr. Francesco Siccardi, CEO of Medacta Group SA, during the year 2022 purchased respectively 9'000 and 19'400 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)	31.12.2022	31.12.2021
Fees, salaries and other short-term benefits	2'933	2'748
Post-employment pension and medical benefits	308	279
Share-based payments	172	71
TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL	**3'413**	**3'098**

Key Management Personnel comprises of the Board of Directors and the Group Executive Management (GEM). The compensation of the GEM consists of a fixed portion and variable portion, which depends on the course of business and individual performance.

6.27 EARNINGS PER SHARE

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

	31.12.2022	31.12.2021
Net profit attributable to shareholders (in Euro thousand)	46'249	51'521
Weighted average number of ordinary shares outstanding	19'977'035	19'996'308
BASIC EARNINGS PER SHARE (in Euro)	**2.32**	**2.58**

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

(Thousand Euro)	31.12.2022	31.12.2021
Net profit used to determine diluted earnings per share (in Euro thousand)	46'249	51'521
Weighted average number of ordinary shares outstanding	19'977'035	19'996'308
Adjustments for performance stock units issued	18'927	7'966
Weighted average number of ordinary shares for diluted earnings per share	19'995'962	20'004'274
DILUTED EARNINGS PER SHARE (in Euro)	**2.31**	**2.58**

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, 2022, contracted purchase commitments, mainly relating the acquisition of instruments, for a total amount of Euro 28.4 million (Euro 16.8 million in 2021).

As of December 31, 2022, tangible fixed assets for a total amount of Euro 20’267 thousand (2021: Euro 16’494 thousand) have been pledged as collateral for borrowing facilities.

The Group as of December 31, 2022 and 2021 had unused current credit lines of Euro 109’316 thousand and Euro 103’886 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, 2022.

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

EXCHANGE RATES

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

	Average		Closing	
	2022	2021	31.12.2022	31.12.2021
CHF	0.9955	0.9253	1.0108	0.9643
GBP	1.1736	1.1638	1.1303	1.1901
AUD	0.6597	0.6350	0.6366	0.6387
USD	0.9505	0.8460	0.9344	0.8797
JPY	0.0073	0.0077	0.0071	0.0076
CAD	0.7304	0.6749	0.6895	0.6960

7. AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

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Report of the Statutory Auditor

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

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Medacta Group SA (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 110 to 162) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our Audit Approach

Summary	
Key audit matters	We identified the following key audit matters: - Capitalisation and measurement of development projects - Existence of inventory - Existence of instruments (Property, Plant and Equipment)
Materiality	Based on our professional judgement, we determined materiality for the Group as a whole to be EUR 3.5 million.
Scoping	We defined 6 components operations in 5 countries to be in scope for group reporting purposes. The ratios of coverage for 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalisation and measurement of development projects

Key audit matter	**How the scope of our audit responded to the key audit matter**
As described in Note 6.9 to the consolidated financial statements, the intangible assets balance amounts to EUR 50 million (2021: EUR 52 million), including development projects capitalised at 31 December 2022 amounting to EUR 36 million (2021: EUR 36 million). As described in Note 6.2 to the consolidated financial statements, the Group distinguishes between research costs, which are recognized in the statement of profit or loss as incurred, and development costs, which are capitalised provided that the technical and commercial feasibility of the asset has been established, the related costs can be measured reliably, and it can reasonably be expected that the costs will be recovered in the future.	We gained an understanding of the key controls relevant to the development projects process and the impairment process. We performed test of details, using statistical sampling method, on the projects capitalised during the year. We obtained technical information relating to the selected projects to verify whether the costs qualified as development costs. We analyzed the evidence obtained to evaluate the usefulness of the assets for the Group and we inquired about the Group's intention, as well as verified its ability to complete these projects. We furthermore inquired about the Group's assessment of the future economic benefits, and its intention to use or sell the assets.

The costs relating to projects for which the development phase has been completed as of 31 December 2022, are amortised over the useful life of the related products.

Projects which are still in early phases of development as of the financial statement date are not amortised as they are considered as being intangible assets with indefinite useful life ("In Progress Development Projects"). Development projects are allocated to Product Families based on their purpose.

Capitalisation of development projects requires the Group to apply judgement to evaluate whether the development expenditure incurred qualifies for recognition as an asset in accordance with IAS 38.

Whenever there are indications of impairment, and at least once a year for "In Progress Development Projects", the Group tests these assets for impairment. For the impairment test of "In Progress Development Projects", the Group applies judgements and defines assumptions in areas such as revenue growth, estimates in connection with the "costs to complete" and WACC. For these projects, the impairment test is done at the level of Product Families.

Due to the significant amount of costs capitalised and the judgements applied by the Group, we consider the capitalisation and measurement of development projects to be a key audit matter.

In addition, we tested on a sample basis whether the costs for development projects were eligible for capitalization and whether the amounts were capitalised accurately. Furthermore, we verified the supporting evidence such as third-party invoices and salary costs of the development teams.

We have involved internal valuation specialists to assist us in challenging the valuation model (i.e. validity of the methodology and its application, completeness, and mathematical accuracy) and the WACC applied.

In addition, we have challenged the Group's judgements and assumptions used in its impairment model and we have tested their historical accuracy.

We assessed the adequacy and completeness of the disclosures included in the accompanying consolidated financial statements (Notes 6.9).

Based on the procedures performed, we obtained sufficient audit evidence to address the risks around capitalisation and measurement of development projects.

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 160 million as of 31 December 2022 (2021: EUR 136 million). Inventory is mainly composed of prosthesis and implants. The inventory is held in warehouses and in consignment at the premises of Medacta's customers to ensure continuity of supply. Given the significant balance of inventory in relation to the Group's total assets, and the number of locations in which inventory is located, we consider the existence of inventory to be a key audit matter in our audit.	We assessed the appropriateness of the Group's process for inventory, including inventory counts procedures which are performed for inventory located at Medacta's premises and in consignment. As part of this work, we gained an understanding of the key controls relating to the existence of inventory. We also tested the operating effectiveness of the key controls. We have performed physical inventory counts for items selected through statistical sampling methods. Our work was performed in Switzerland, Italy, Belgium, and in the USA. The counts also covered inventory in consignment. For locations where our participation in the inventory counts procedures performed by the Group was possible, we attended these and compared the results of our own work with the results of the counts performed by the Group. We assessed the adequacy and completeness of the disclosures included in the accompanying notes to the consolidated financial statements (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 188 million as at 31 December 2022 (2021: EUR 155 million), including instruments for a net balance of EUR 109 million (2021: EUR 88 million). The instruments are held in warehouses and at Medacta's customers premises to ensure continuity of supply. Given the significant balance of instruments in relation to the Group's total assets, and the number of locations in which instruments are consigned, we consider the existence of instruments to be a key audit matter in our audit.	We assessed the appropriateness of the Group's process for instruments, including instruments counts procedures, which are done for instruments located at Medacta's premises and in consignment. As part of this work, we gained an understanding of the key controls relating to the existence of instruments. We also tested the operating effectiveness of the key controls. We have performed physical instruments counts for items selected through statistical sampling methods. Our work was performed in Switzerland, Italy, Belgium, and in the USA. This work covered also instruments in consignment. For locations where our participation in the instruments counts procedures performed by the Group was possible, we attended these and compared the results of our own work with the results of the counts performed by the Group. When the performance of instruments counts was not possible because the instruments were held in a sterilised environment, we obtained confirmations from the hospitals and the clinics on the existence of the instruments in consignment. We assessed the adequacy and completeness of the disclosures included in the accompanying consolidated financial statements (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 consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be EUR 3.5 million (2021: EUR 3.6 million) which is 6.5% of profit before taxes (6.5% of profit before taxes in prior year) and 1.3% of equity (1.6% 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 0.175 million (2021: EUR 0.180 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the consolidated financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 6 components. 3 of these were subject to a full audit, whilst the remaining 3 were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risk of material misstatements and of the materiality of the group's operations at those locations. These 6 components represent the principal business units and account for 94% (2021: 95%) of the group's total assets, 76% (2021: 76%) of the group's revenue and 77% (2021: 92%) of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risk of material misstatements identified above. The audit work at the 6 components was executed at levels of materiality applicable to each individual component and were lower than group materiality, ranging from EUR 0.340 to EUR 2.240 million (2021: EUR 0.360 to EUR 2.430 million).

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

Other Information

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

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

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

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

Board of Directors' Responsibilities for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

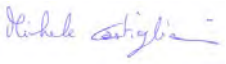
A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA



Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Michele Castiglioni
Licensed Audit Expert

Lugano, 16 March 2023
FLU/MCA/jba

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

BALANCE SHEET

ASSETS

(Swiss Francs)	Notes	31.12.2022	31.12.2021
Cash and cash equivalents		114'439	705'642
Short-Term receivables towards group companies	8.3.1	1'220'627	3'023'871
Accrued income and prepaid expenses	8.3.2	15'036'592	16'035'728
TOTAL CURRENT ASSETS		**16'371'658**	**19'765'241**
Investment in subsidiaries	8.3.3	135'510'491	135'510'490
Long-Term loans towards group companies	8.3.4	51'500'000	46'750'000
TOTAL NON-CURRENT ASSETS		**187'010'491**	**182'260'490**
TOTAL ASSETS		**203'382'149**	**202'025'731**

LIABILITIES AND EQUITY

(Swiss Francs)	Notes	31.12.2022	31.12.2021
Account payables		260'694	346'210
Deferred income and accrued expenses		1'739'351	1'697'559
Other current liabilities		439'566	143'293
TOTAL CURRENT LIABILITIES		**2'439'611**	**2'187'062**
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	18'170'836	23'520'000
General legal reserve from earnings		1'000'000	1'000'000
Treasury Shares reserve	8.3.7	(4'272'340)	(1'342'660)
Retained earnings brought forward	8.3.8	38'312'165	27'915'426
Profit for the year		14'731'878	15'745'903
TOTAL SHAREHOLDER'S EQUITY		**200'942'538**	**199'838'669**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**203'382'149**	**202'025'731**

INCOME STATEMENT

(Swiss Francs)	Notes	31.12.2022	31.12.2021
Dividend income	8.3.9	15'000'000	16'000'000
Interest Income		500'048	467'500
Other Revenues	8.3.10	3'417'323	3'552'071
TOTAL REVENUE		**18'917'371**	**20'019'571**
Personnel costs		(3'175'964)	(3'378'158)
Legal and administrative expenses	8.3.11	(651'224)	(689'145)
Other expenses		(147'024)	(46'296)
TOTAL OPERATING COSTS		**(3'974'212)**	**(4'113'599)**
OPERATING PROFIT		**14'943'159**	**15'905'972**
Other financial costs		(22'281)	(5'039)
TOTAL FINANCIAL INCOME / (COSTS)		**(22'281)**	**(5'039)**
PROFIT BEFORE TAXES		**14'920'878**	**15'900'933**
Taxes	8.3.12	(189'000)	(155'030)
PROFIT FOR THE YEAR		**14'731'878**	**15'745'903**

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 2022 Medacta Group SA Profit or Loss recognizes the full year of transactions, from January 1, 2022 to December 31, 2022. 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 orthopedics, 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.

During 2022 and 2021 the number of full-time positions on annual average is less than 10.

8.2 ACCOUNTING PRINCIPLES

These Financial Statements have been prepared in compliance with the Swiss Code of Obligations (CO).

TRANSLATION OF FOREIGN CURRENCIES

The receivables and payables in foreign currencies are translated into Swiss Francs at the 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 based on 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 1'220'627

8.3.2 ACCRUED INCOME AND PREPAID EXPENSES

This position includes dividend from Medacta Holding SA for CHF 15'000'000 related to the result of the year 2022 (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 2022	% of shares held December 2021	Registered office	Country	Share Capital	31.12.2022
Medacta Holding S.A.	100%	100%	Castel San Pietro	Switzerland	1'026'010 CHF	135'510'490 CHF
Knnex Health Inc. *	100%	-	Wilmington	Delaware (USA)	1 USD	1 CHF

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

- Indirect investment in subsidiaries:

Company	% of shares held December 2022	% of shares held December 2021	Registered office	Country	Registered Capital
Medacta International SA	100%	100%	Castel San Pietro	Switzerland	1'000'000 CHF
Medacta Americas Operations Inc.*	100%	-	Wilmington - Delaware	USA	1 USD
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 Europe Operations S.r.l. **	100%	-	Milan	Italy	100'000 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

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

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. The long-term loan during 2022 increased to CHF 51'500'000 (2021 amounted to CHF 46'750'000).

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

In 2022 the company distributed an amount of CHF 5'349'164. Following the 2022 repayment, the capital contribution reserve amounts to CHF 18'170'836. 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

Own shares purchased as of December 31, 2022 amounts to 39'857 corresponding to CHF 4'272'340. In 2022 the Company purchased 29'850 own shares for an average price of around CHF 98.14 for an amount of CHF 2'929'680, (10'007 in 2021 for an average price of around CHF 134.17 equal to CHF 1'342'660). The Shares are dedicated to satisfying the PSUs granted by the employees participating to the Long-Term Incentive Plan (LTIP) approved in March 2021. LTIP has a vesting period for a duration of 3 years. More detail at Note 6.16 "Medacta Group stockholders' equity" paragraph "Treasury shares".

8.3.8 RETAINED EARNINGS – DIVIDEND PAID OUT

On May 19, 2022 shareholders approved the distribution of CHF 10'698'328 equal to CHF 0.535 per share, half of it CHF 5'349'164 distributed as dividend out of available earnings and half of it distributed out of accumulated reserves from capital contribution reserve. Dividend was settled on May 25, 2022.

8.3.9 DIVIDEND INCOME

Dividend income accrued as of December 31, 2022 for CHF 15'000'000 refers to the 2022 dividend from the subsidiary Medacta Holding SA (simultaneous registration of dividend). Dividend accrued as of December 31, 2022 has not been cashed in as of the balance sheet date. The 2021 dividend income for CHF 16'000'000 was settled by Medacta Holding SA in May 2022.

8.3.10 OTHER REVENUES

Other revenues equal to CHF 3'417'323 as of December 31, 2022 (CHF 3'552'071 in 2021), relates to the re-billing to Group's subsidiaries for an amount of CHF 3'411'820 (CHF 3'547'363 in 2021), which include payroll, general and administrative expenses to ensure that the costs will be incurred to the relevant parties following the accuracy assertion.

8.3.11 LEGAL AND ADMINISTRATIVE EXPENSES

2022 audit fees of the standalone and Consolidated Financial Statements amount to CHF 307'650 (CHF 307'650 in 2021). Fiscal, legal and administrative fees are equal to CHF 343'574 (CHF 381'495 in 2021).

8.3.12 TAXES

The Company is subject to direct taxes on profit and capital. Taxes as of December 31, 2022 amount to CHF 189'000 (CHF 155'030 in 2021) out of which CHF 131'000 (CHF 130'957 in 2021) relates to capital tax and CHF 58'000 (CHF 24'073 in 2021) 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 2022 Medacta Group SA purchased own shares as mentioned in the Note 8.3.7 "Treasury share reserve". Neither other Group Company nor the subsidiaries owned, held or purchased own shares of the Company during the fiscal period.

8.4.3 EQUITY INSTRUMENTS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The number of shares held by Board of Directors and Group Executive Management as of December 31, 2022 are mentioned in section 6 "Ownership of shares and options" of Remuneration Report.

8.4.4 RESIDUAL AMOUNT OF LIABILITIES RESULTING FROM LEASE COMMITMENTS

The Company has no leasing contracts in force.

8.4.5 LIABILITIES TOWARDS PENSION INSTITUTIONS

Liabilities towards pension institutions as of December 31, 2022 amounts to CHF 126'987 (2021 CHF 62'457).

8.4.6 COLLATERALS, GUARANTEE LIABILITIES AND CONSTITUTION OF PLEDGES IN FAVOUR OF THIRD PARTIES

In order to guarantee the commitments undertaken by the affiliated Medacta International SA, as of December 31, 2022 the Company has letters of patronage in favour of banking institutions for an amount of CHF 107'500'000 (2021: CHF 107'500'000).

8.4.7 ASSETS USED TO SECURE OWN LIABILITIES

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

8.4.8 CONTINGENT LIABILITIES

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

8.4.9 SUBSCRIPTION OR OPTION RIGHTS

As of December 31, 2022, the Company neither owns nor has released subscription or option rights on its proper shares or on the shares of other group companies.

8.4.10 IMPORTANT SUBSEQUENT BALANCE SHEET DATE EVENTS

There have been no events occurring after the reported period which would have a material effect on the Medacta Group Financials as of December 31, 2022.

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 April 27, 2023 a distribution of CHF 10'778'478 (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)	31.12.2022	31.12.2021
Retained earnings brought forward	38'312'165	27'915'426
Profit for the year	14'731'878	15'745'903
RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION	**53'044'043**	**43'661'329**
DISTRIBUTION OF PROFIT		
Dividend paid out of the available earnings *	(5'389'239)	(5'349'164)
Allocation to general reserves	-	-
Allocation to other reserves	-	-
CARRY FORWARD RETAINED EARNINGS	**47'654'804**	**38'312'165**

* Depends on the number of dividend-entitled shares, max. 19'960'143 shares, as of December 31, 2022. The own shares held by Medacta Group SA are not entitled to the distribution of dividends.

8.7 PROPOSED APPROPRIATION OF RESERVES FROM CAPITAL CONTRIBUTION

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

(Swiss Francs)	2023	2022
RESERVE FROM CAPITAL CONTRIBUTION		
BALANCE JANUARY 1	**18'170'836**	**23'520'000**
Distribution of reserves from capital contribution *	(5'389'239)	(5'349'164)
CARRY FORWARD RESERVES FROM CAPITAL CONTRIBUTION	**12'781'597**	**18'170'836**

* 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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Report of the Statutory Auditor

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Medacta Group SA (the Company), which comprise the balance sheet as at 31 December 2022, the statement of income for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 171 to 176) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries and long-term Loans towards group companies

Key audit matter	How the scope of our audit responded to the key audit matter
As described in Notes 8.3.3 and 8.3.4 to the stand-alone financial statements, investments and long-term loans amount to CHF 187 million (2021: CHF 182 million), or represent 92% (2021: 90%) of total assets as at 31 December 2022. The Company assesses the valuation of its investments and long-term loans and determines potential impairment indicators on an individual basis, in accordance with the provisions of Swiss Law. Due to the significance of the carrying amount of the investments and long-term loans, and due to the judgement involved in the determination of potential impairments, this matter was considered as a key audit matter in our audit.	We have assessed the appropriateness of the Company's accounting policy for the valuation of investments and long-term loans. We gained an understanding of the key controls in connection with the valuation of investments and long-term loans. We challenged the assessment of impairment indicators made by the Company's management. We compared the carrying amount of the investments with the equity balances of the relevant entities. We challenged the recoverability of the long-term loans towards group companies. We assessed the adequacy and completeness of the related disclosures in the Notes 8.3.3 and 8.3.4 to the stand-alone financial statements. Based on the procedures performed, we obtained sufficient audit evidence to address the risk around valuation of investments and long-term loans.

Other Information

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

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

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

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

Board of Directors' Responsibilities for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Deloitte.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA

Fabien Lussu
Licensed Audit Expert
Auditor in Charge

Michele Castiglioni
Licensed Audit Expert

Lugano, 16 March 2023
FLU/MCA/jba

Medacta International

ADDITIONAL INFORMATION FOR INVESTORS

FINANCIAL CALENDAR

APRIL 27 2023	JULY 28 2023	SEPTEMBER 22 2023
ANNUAL GENERAL MEETING	PUBLICATION OF 2023 HALF-YEAR UNAUDITED TOP-LINE FIGURES	PUBLICATION OF 2023 HALF-YEAR RESULTS

FORWARD-LOOKING INFORMATION DISCLAIMER

This Annual Report has been prepared by Medacta and includes forward-looking information and statements concerning the outlook for our business. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates", "targets", "plans", "outlook" or similar expressions. There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this Annual Report. Important factors that could cause such differences include: changes in the global economic conditions and the economic conditions of the regions and markets in which the Group operates; changes in healthcare regulations (in particular with regard to medical devices); the development of our customer base; the competitive environment in which the Group operates; manufacturing or logistics disruptions; the impact of fluctuations in foreign exchange rates; and such other factors as may be discussed from time to time. Although we believe that our expectations reflected in any such forward-looking statement are based upon reasonable assumptions, we can give no assurance that those expectations will be achieved.

RELATED TRADEMARKS

Medacta Group Related Trademarks are registered at least in Switzerland.

The products and services listed below may not be all inclusive, and other Medacta products and services not listed below may be covered by one or more trademarks. The below products and services may be covered by additional trademarks not listed below. Note that Swiss trademarks may have foreign counterparts.

3D Metal®, 3D Metal® B-Cage, AMIS®, AMIS® Bikini®, AMIS®-K Long, Augments 3D Metal®, GMK® Efficiency, GMK® Hinge, GMK® Primary, GMK® Revision, GMK® System, GMK® Sphere, GMK® UNI, E-Cross®, M-ARS ACL®, M.U.S.T.®, M.U.S.T.® LT, M.U.S.T.® MC, M.U.S.T.® Mini, MasterLoc®, Mecta-C® System, Mecta-C®, Stand Alone, Mecta®Fix, Mecta®Grip, MectaLIF® Anterior, MectaLIF® System, Mecta®Lock, Mecta®Lock PEEK, Mecta®Lock C, Mecta®Lock TI, Mecta®QTH, Mecta®Screw, Mecta®Tap TI, MiniMAX®, Mpact®, Mpact® 3D Metal®, Mpact® 3D Metal® Multi-Hole, Mpact® Multi-Hole, Mpact® System, MOTO® Lateral, MOTO® Medial, MOTO® PFJ, MOTO® System, MyHip®, MyHip® Planner, MyHip® Verifier, MyKA™, MyKnee®, MyKnee® R, MyPAO®, MyShoulder®, MySolutions™ Personalized Ecosystem, MySpine®, MySpine® Anchor, MySpine® Cervical, MySpine® MC, MySpine® S2AI, M-Vizion®, NextAR™, NextAR™ Knee, NextAR™ Shoulder, NextAR™ Spine, PowerKnot®, Quadra®-P, Quadra®-R, SensiTiN™, SMS®, Versafitcup®.

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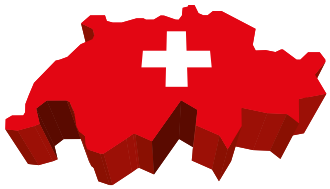

REDEFINING BETTER
IN ORTHOPAEDICS
AND SPINE SURGERY

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