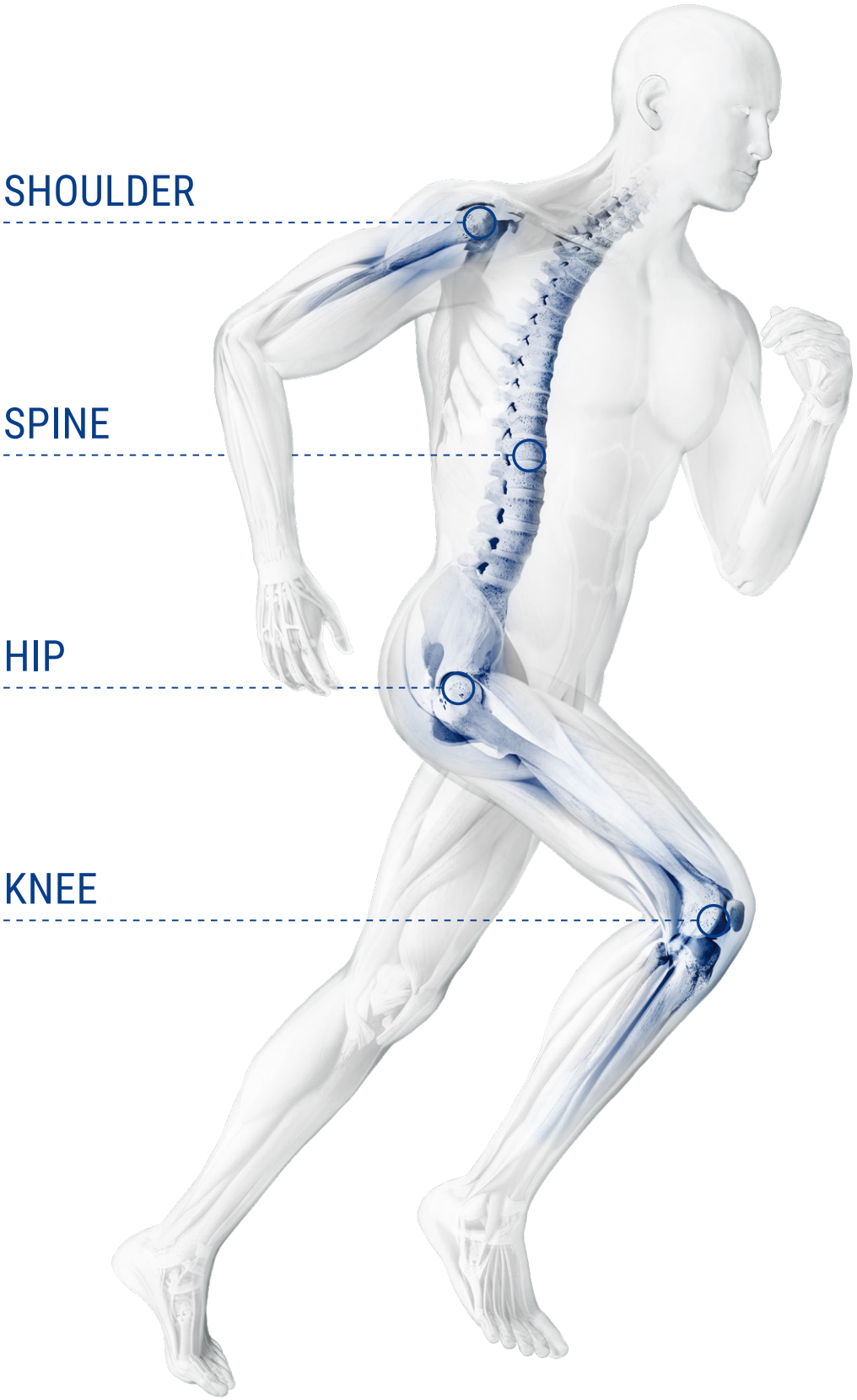
Medacta International

MANAGEMENT REPORT

INDEX


SHOULDER
SPINE
HIP
KNEE

2019 HIGHLIGHTS*

- Successful IPO at SIX Swiss Exchange;
- Celebration of the 20th year anniversary of Medacta through the successful 9th M.O.R.E. International Symposium in Lugano with roughly 1'500 attendees;
- Organic growth of 13.9%, significantly above the market and strong profitability equal to 29.5% of adjusted EBITDA margin (also called CORE EBITDA margin);
- Outlook FY 2020: Conscious of Covid-19 related uncertainties, Medacta withholds financial guidance for 2020. Mid and long-term fundamentals remain unchanged;
- Medacta has historically maintained a moderate net debt ratio. To protect our future cash flow and liquidity, the Board of Directors has proposed not to distribute a dividend for the financial year 2019.

REVENUE

EUR 310.6M

2019 REPORTED GROWTH [1]

13.9%

11.3% before FX effects from prior year

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

ADJUSTED EBITDA [2]

EUR 91.5M

[2] Is calculated as EBITDA, adjusted for non-recurring items: IPO costs, one-time tax duty, Fidelity Bonus, provisions on litigations, extraordinary legal expenses and sale of non-strategic asset. (i.e., CORE EBITDA)

ADJUSTED EBITDA MARGIN [3]

29.5%

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

2019 NUMBER OF EMPLOYEES

1'101

128 new jobs added in 2019

* **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", "Free Cash Flow", "Adjusted Free Cash Flow", "Net Debt" and "Leverage". Reconciliation of these measures as well as "CORE" financial measures is provided in the "Alternative Performance Measures" (APM) section of this Annual Report. These Alternative Performance Measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, please refer section headed "Alternative Performance Measures" of this Annual Report.

KEY FINANCIAL FIGURES

(Million Euro)	31.12.2019	31.12.2018
Revenues	310.6	272.6
Gross Profit	223.7	204.0
Alternative Performance Measures:		
EBITDA	53.3	86.3
Adjusted EBITDA*	91.5	87.9
Adjusted EBITDA margin*	29.5%	32.3%
Free Cash Flow	0.6	17.2
Adjusted Free Cash Flow**	22.3	33.2

(Million Euro)		
Total Assets	412.6	365.6
Total Equity	123.2	89.1
Equity Ratio	29.9%	24.4%
Number of employees	1'101	973

* Adjusted for IPO costs, one-time tax duty, Fidelity Bonus, provisions on litigations, extraordinary legal expenses, sale of non-strategic asset.
The reconciliation is provided in the "Alternative Performance Measures" section of the Management Report. IFRS 16 adoption starting from January 1, 2019 positively impacted our EBITDA, since lease expenses are classified in depreciation of right-of-use assets (Euro 2'964 thousand) and financial costs (Euro 191 thousand). In the comparative period, lease expenses were classified within "Opex" for a total amount of Euro 2'990 thousand.

** Please see the "Alternative Performance Measures" section of the Management Report for the reconciliation of the "Adjusted Free Cash Flow". IFRS 16 adoption starting from January 1, 2019 positively impacted our Free Cash Flow, since lease expenses are classified in depreciation of right-of-use assets (Euro 2'964 thousand). In the comparative period, lease expenses were classified within the "Cash Flow from operating activities" for a total amount of Euro 2'990 thousand.

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	20'000'000
Nominal value per registered share (in CHF)	0.10
Number of treasury shares	0

DATA PER SHARE

(Swiss Francs)	
High (in CHF)	105.88
Low (in CHF)	67.70
Closing price (in CHF)	72.40
Market capitalization (in CHF million)	1'448

LETTER TO SHAREHOLDERS

MEDACTA EXPANDS FURTHER ACHIEVING STRONG REVENUE GROWTH AND PROFITABILITY

Dr. Alberto Siccardi

Ing. Francesco Siccardi

Dear shareholders,

First of all, we would like to take this opportunity to welcome all of you, our esteemed new shareholders, to the Medacta family.

2019 has been a truly important year for Medacta with several milestones achieved: Medacta conducted a successful Initial Public Offering (IPO) on the SIX Swiss Exchange, we celebrated Medacta's 20th anniversary and we have been recognized as one of the Fastest Growing Company in the orthopaedic industry (for the 2018 business year).

STRONG ORGANIC GROWTH IN ALL REGIONS AND BUSINESS LINES*

In 2019, Medacta continued to expand significantly faster than the orthopaedic market, achieving strong organic revenue growth and double-digit expansion. The Company's 2019 organic revenue equaled to EUR 310.6 million, with an increase of 13.9% over the prior year. We had a positive contribution from all product lines and a balanced geographic growth in all key markets. Currency development had a positive contribution on reporting results, mainly due to the development of the US dollar and Swiss Franc against the Euro, with total sales growth of 11.3% at constant currency.

Our core Joint product line contribution has been very successful. The Hip line continued to develop, achieving sales growth of 5.2% at constant currency and reported sales of EUR 163.9 million, and benefit from the AMIS technique. In the Knee product line, there was a strong growth of 13.2% at constant currency, with reported sales of EUR 111.7 million. The integrated proposal of innovative implants and instrumentation, MyKnee Patient-Matched Technology, the MIKA Platform for kinematic alignment and GMK Efficiency Single Use Instruments, sustained the strong Knee performance. The Spine product line showed a good acceleration in the second part of the year, closing the year with revenue growth an impressive 23.4% at constant currency and reported sales equal to EUR 25.3 million. The minimally invasive solution, MySpine MC Patient-Matched Technology, along with the successful refocus of the structure on the Medacta marketing approach, have been the key elements of this result. In 2019, the Shoulder product line was completed with the launch of our innovative Total Shoulder system, culminating in December with the FDA clearance on the MyShoulder. Thanks to our comprehensive product portfolio and to a successful deployment strategy, our shoulder product line was able to reach 147.4% growth rate at constant currency and reported revenue of EUR 9.7 million. Medacta achieved balanced geographic sales growth in all key markets. Europe registered 7.9% growth rate at constant currency and reported sales of EUR 136.1 million despite price pressure in some of our key countries. North America market realised an overall good performance showing 13.2% growth rate at constant currency and reported revenue of EUR 95.5 million. U.S. remains one of our strategic markets and a key focus for 2020. Asia Pacific delivered the strongest result among our geographic areas reaching 13.3% revenue growth at constant currency and EUR 66.9 million of reported revenue. This impressive result is attributable to a well-executed marketing strategy, capable of generating noticeable acceleration mainly in the second part of the year.

HIGH GROSS PROFIT PERFORMANCE*

The Gross Profit adjusted for the Fidelity Bonus for employees increased by 11.2%, from EUR 204.0 million in the previous year to EUR 226.9 million in the reporting period. The adjusted gross profit margin equal to 73.0%, decreased by 1.8% in comparison to the previous year, primarily due to expected price reductions in certain European countries, higher raw material prices, higher royalties and incremental depreciation given the investments made on new instruments to sustain future growth, not sufficiently counterbalanced by positive effects deriving from revenue geographic mix and product mix.

STRONG ADJUSTED EBITDA OF 29.5%*

The adjusted EBITDA amounted to EUR 91.5 million, 4.1% increase compared to a year ago. The adjustments, in the amount of EUR 38.2 million, include mainly one-time expenses associated with the IPO, extraordinary legal costs, stamp duty and accrued provisions on litigation. The adjusted EBITDA corresponds to a margin of 29.5% compared to 32.3% in 2018. The reduction in profitability was mainly due to the combined effect of expected increasing CORE business expenses and revenue growth below expectations. Higher costs were incurred particularly in association with the listing and the strengthening of corporate functions as well as in marketing and research activities.

SOLID BALANCE SHEET

Medacta's balance sheet remains robust, with total assets of EUR 412.6 million and an equity ratio of 29.9% at the end of the reporting period. The adjusted free cash flow generated in 2019 amounted to EUR 22.3 million after significant investments in new instruments and research and development to sustain the future growth of Medacta.

COMMITMENT TO LONG-TERM VALUE CREATION

Innovation, medical education and healthcare sustainability have been a focus for Medacta since inception, and remain fundamental pillars of our long-term value creation strategy:

- **Innovation**: This is the base of our fundamentals for our growth strategy which began with implants and minimally invasive techniques. That initial direction has evolved into personalized medicine, with the aim of providing customized solutions for every patient.
- **Education**: Our philosophy is that education is an indispensable tool for transforming innovation into measurable benefits for patients, surgeons and healthcare systems. With this mission in mind, in 2004 we created the M.O.R.E. Institute, in order to provide continuous support to healthcare professionals worldwide and facilitate the adoption and sharing of knowledge of both innovative surgical techniques and products.
- **Sustainability**: We design and develop our products and solutions with the aim of improving patient well-being and facilitating the work of medical professionals, healthcare administration and logistic staff. We are committed to developing product offerings that allow for cost reductions with significant benefits for healthcare sustainability.

COVID-19 IMPACT

We are constantly monitoring the impact of the Covid-19 and how the pandemic is affecting our business. The health and safety of our employees, customers and patients are our number one priority and Medacta is working very hard to assess and mitigate any risks, taking all the actions needed to limit the impact of the pandemic. Over 270 headquarters' employees have been working remotely since March 9, and we adopted all Government guidance and more, including social distancing, hand sanitizer, daily temperature measurement and masks, amongst others. As MedTech company compliant with Government requirements and thanks to the swiftly countermeasures taken by Management, our facilities in Ticino/Switzerland remain operational to date.

From a business perspective, starting from March 2020 we have seen a severe reduction of elective surgeries in several countries, including Italy, Switzerland, France, Australia and we anticipate more countries to follow. Marketing, Medical Education and other costs have been reduced substantially due to travel restrictions and we introduced cost containment measures, including short time work wherever appropriate. Also, we are using all the available Government supports, in Switzerland and in all the markets in which Medacta operates with its subsidiaries, to offset labour costs whenever possible.

To further protect our cash flow, the Board of Directors decided not to propose to the Annual General Meeting any distribution of dividend for the 2019 financial year.

OUTLOOK 2020

Sales for the first two months of 2020 were very strong and in line with management expectations recording constant currency growth in the low to mid-teens range. March was heavily affected by the Covid-19 impact reducing constant currency growth rate for Q1 to low single digit. Given the uncertainties brought by the widespread outbreak of Covid-19 and the inability to forecast the future development, we are not in a position to provide a short-term outlook. However, we expect, orthopaedic patients will generate waiting lists in different countries and, depending on the duration of the deferral of elective surgeries, in several of Medacta's markets, a recovery could start later in 2020 and partially in 2021. Overall, we do not believe that mid or long-term fundamentals have changed.

THANKS

We would like to thank all our employees for their exceptionally high level of commitment in the past financial year, our customers and partners for their very good cooperation and our shareholders for their trust.

Sincerely,

Dr. Alberto Siccardi
Chairman of the Board of Directors

Ing. Francesco Siccardi
Chief Executive Officer

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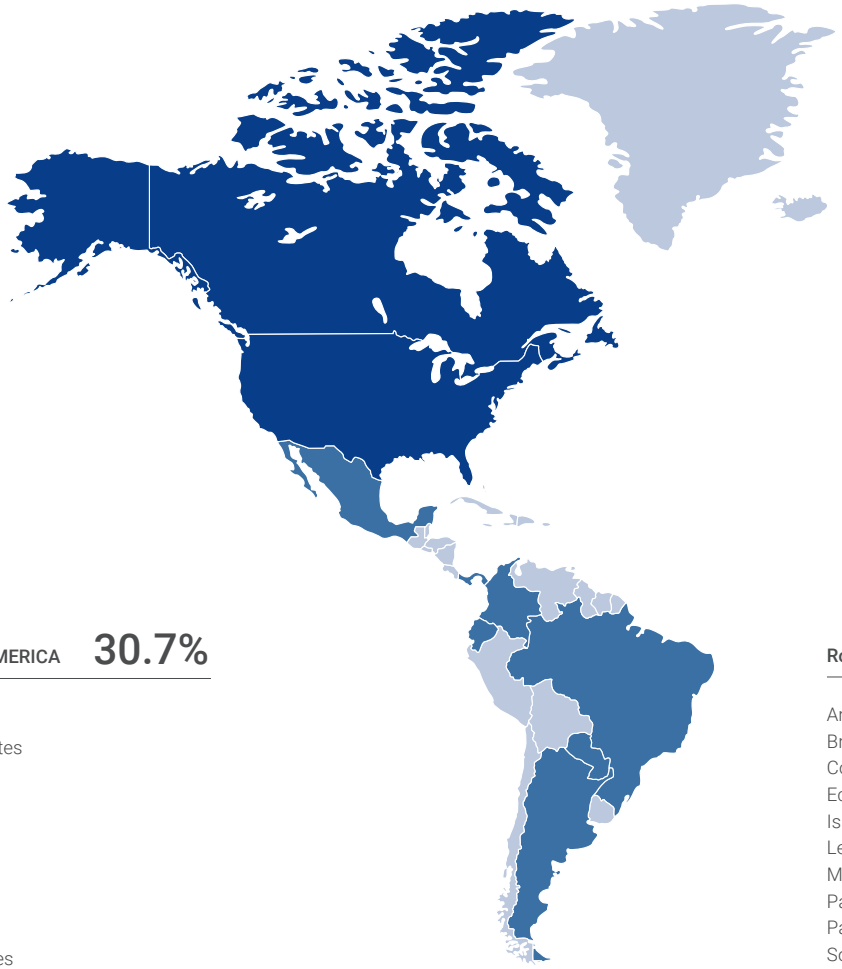
1. MANAGEMENT COMMENTARY*

CORPORATE INTRODUCTION

We are an international company specialized in the design and production of innovative orthopaedic products and the development of accompanying surgical techniques for joint replacement, spine surgery, and sports medicine. Established in 1999 in Switzerland, we have grown considerably from our origins as a manufacturer of hip and knee replacement products into a global business. We are currently active in targeted regions of countries that together represent approximately 90% of global orthopaedic revenue, according to Orthoworld.

Today, our primary focus is on our high-volume Hip and Knee business lines (which generated 53% and 36%, respectively, of our revenue in 2019), complemented by our new 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 customer surgeons and increase the sustainability of the healthcare system by improving efficiency while reducing healthcare costs. Our success to date is evidenced by our financial profile, with a constant currency revenue CAGR of 13.2% between 2016 and 2019 leading to revenue of EUR 310.6 million, an Adjusted EBIT margin of 18.6% and an Adjusted EBITDA margin of 29.5% for the year ended December 31, 2019.



NORTH AMERICA **30.7%**

Canada
United States

RoW **4%**

Argentina
Brazil
Colombia
Ecuador
Israel
Lebanon
Mexico
Panama
Paraguay
South Africa
Tunisia

■ Branches
■ Distributors

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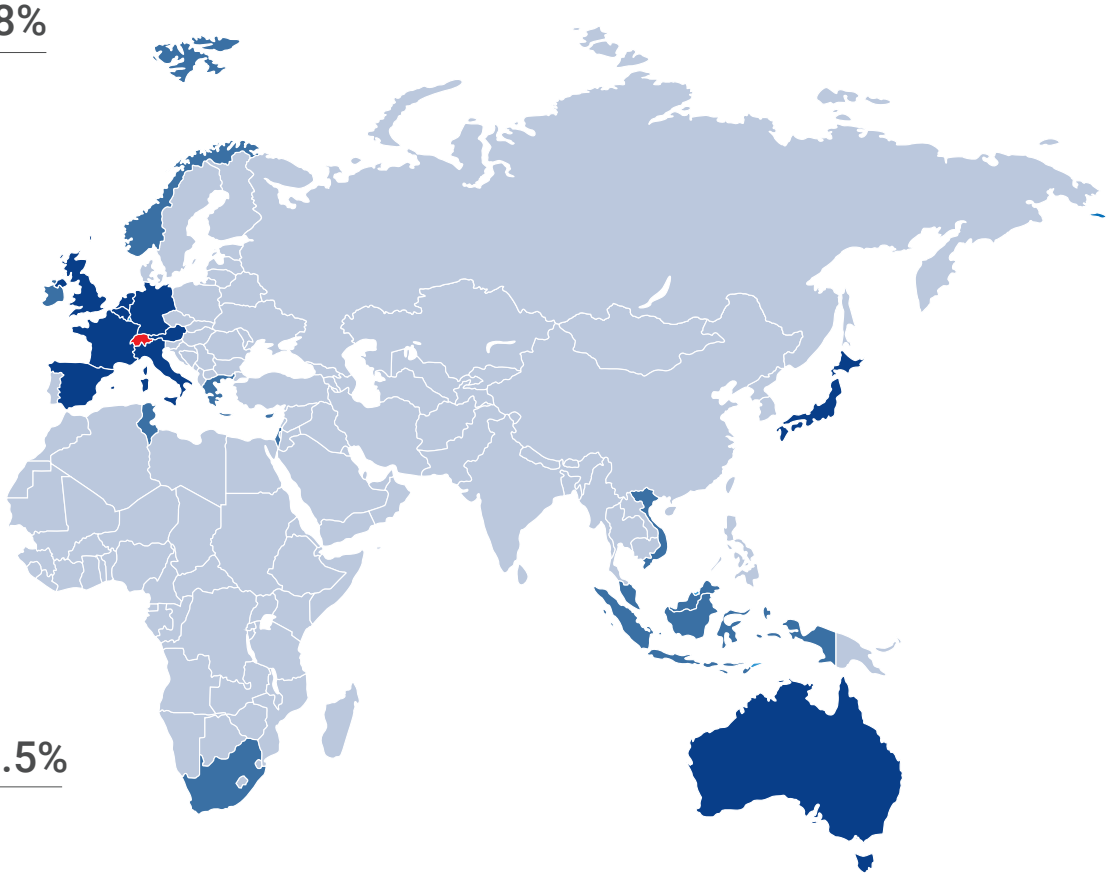
Our products and surgical techniques are characterized by innovation. We are a pioneer in developing new offerings on the basis of our minimally invasive surgical techniques, in particular our Anterior Minimally Invasive Surgery ("AMIS") technique for hip replacements, which involves an anterior approach to the hip and has been carried out in over 380'000 cases worldwide since 2004. We have leveraged our orthopaedic expertise and comprehensive understanding of the human body to develop sophisticated MySolutions technology, which enables us to offer surgeons highly personalized pre-operative planning and implant placement methodologies by creating advanced personalized kinematic models and 3D planning tools for use in hip, knee, shoulder and spine procedures.

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

Our headquarters and well-invested and high-quality manufacturing facilities are in Castel San Pietro, Switzerland and Rancate, Switzerland, where we have approximately 600 employees in the aggregate. Our sales organization is spread over 12 branches and we serve 34 countries worldwide, with an international sales reach that extends to the attractive markets of Europe, North America and Asia Pacific, where we generated 43.8%, 30.7% and 21.5% of our revenue, respectively, for the year ended December 31, 2019. Our experienced salesforce are instrumental in achieving international acceptance and adoption of our products and techniques.

EUROPE **43.8%**

Austria
Belgium
Bulgaria
Cyprus
France
Germany
Greece
Ireland
Italy
Netherlands
Norway
Slovenia
Spain
Switzerland
United Kingdom



ASIA PACIFIC **21.5%**

Australia
Indonesia
Japan
Malaysia
New Zealand
Vietnam

Branches
Distributors

BUSINESS PERFORMANCE

SALES VOLUME, PRICING AND GEOGRAPHICAL MIX

Overall in 2019 we had a positive contribution from all business lines thanks to a good and stable growth in the core business Hip and Knee, a great performance in the Spine business given the strong acceleration experienced in the second semester and a successful deployment strategy in the Shoulder business followed by a fast expansion in new geographic areas.

We are very satisfied with the results of the 9th M.O.R.E. International Symposium which was able to attract about one thousand surgeons from all over the world, generating additional sales mainly in the second semester of 2019.

Our revenue increased by EUR 38.0 million, or 13.9%, from EUR 272.6 million in 2018 to EUR 310.6 million in 2019 on a reported currency basis (11.3% on a constant currency basis). The increase was largely due to higher levels of market penetration in existing territories, which in turn led to increased sales volumes of our hip, knee, spine and shoulder product offerings. Our higher levels of market penetration were supported by our expanded direct sales force, which grew through the addition of direct sales and agents. Our overall revenue growth was partially offset by negative pricing trends in certain key countries, namely France and Belgium, due to systematic revision of governmental reimbursement levels. In addition, the increase in reported revenue was partially due to an exchange rate tailwind effect. Specifically, during 2019, the EUR weakened against CHF USD and JPY (i.e., among our largest currency exposures) positively impacting revenue translated into EUR from our operations in those countries.

We monitor the development of our revenue by business line as summarized in the table below.

(Million Euro)	31.12.2019	% of total	31.12.2018	% of total	Reported Growth	Constant Currency Growth
Hip	163.9	52.8%	153.0	56.1%	7.1%	5.2%
Knee	111.7	35.9%	96.1	35.2%	16.2%	13.2%
Spine	25.3	8.1%	19.7	7.2%	28.3%	23.4%
Shoulder and Sportsmed	9.7	3.1%	3.8	1.4%	155.2%	147.4%
TOTAL REVENUES	**310.6**		**272.6**		**13.9%**	**11.3%**

Revenue from our hip products increased by EUR 10.9 million, or 7.1%, from EUR 153.0 million in 2018 to EUR 163.9 million in 2019 on a reported currency basis (5.2% on a constant currency basis). The revenue growth of our Hip business line was mainly driven by increased market penetration and expanded sales volumes across all our existing territories.

Revenue from our knee offerings increased by EUR 15.6 million, or 16.2%, from EUR 96.1 million in 2018 to EUR 111.7 million in 2019 on a reported currency basis (13.2% on a constant currency basis). The high revenue growth from our knee offerings reflects a very integrated proposal of innovative implants, personalised MIKA approach and GMK Efficiency Single Use Instrumentation which is key to our development strategy. The revenue growth from our Hip and Knee product lines was partially offset by a reduction in the national reimbursement level in France and Belgium.

Revenue from our Spine offerings increased by EUR 5.6 million, or 28.3%, from EUR 19.7 million in 2018 to EUR 25.3 million in 2019 on a reported currency basis (23.4% on a constant currency basis). Full year Spine performance results are good, with a great second semester (35% on a constant currency basis). The successful second semester was primarily due to the deployment of the MySpine MIS MC and the successful refining of the marketing approach.

Our other newer business lines, Shoulder and Sportsmed, reported an increase in revenue by EUR 5.9 million, or 155.2%, from EUR 3.8 million in 2018 to EUR 9.7 million in 2019 on a reported currency basis (147.4% on a constant currency basis). In 2019 we completed the Total Shoulder System, including FDA clearance for MyShoulder received only in December 2019. Thanks to our complete offering and our successful deployment strategy we were able to achieve a very positive result in all the key markets.

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

(Million Euro)	31.12.2019	% of total	31.12.2018	% of total	Reported Growth	Constant Currency Growth
Europe	136.1	43.8%	124.9	45.8%	9.0%	7.9%
North America	95.5	30.7%	80.1	29.4%	19.2%	13.2%
Asia Pacific	66.9	21.5%	58.3	21.4%	14.9%	13.3%
RoW	12.1	4.0%	9.3	3.4%	30.2%	28.1%
TOTAL REVENUES	**310.6**		**272.6**		**13.9%**	**11.3%**

Revenue in Europe increased by EUR 11.2 million, or 9.0%, from EUR 124.9 million in 2018 to EUR 136.1 million in 2019 on a reported currency basis (7.9% on a constant currency basis). Our revenue growth was primarily driven by Italy and Germany. However, the Swiss and Austrian markets performed below our Group-wide average revenue growth rate at constant currency of 11.3%. Nevertheless, the increased penetration in our targeted European markets was supported by our expanded direct sales force. While our volume of product sales increased in Europe, the private market and governmental healthcare cost containment efforts in France and Belgium, partially offset our revenue growth. As a percentage of our total revenue, revenue generated in Europe was lower than the prior year at 43.8% in 2019 (as compared to 45.8% in 2018).

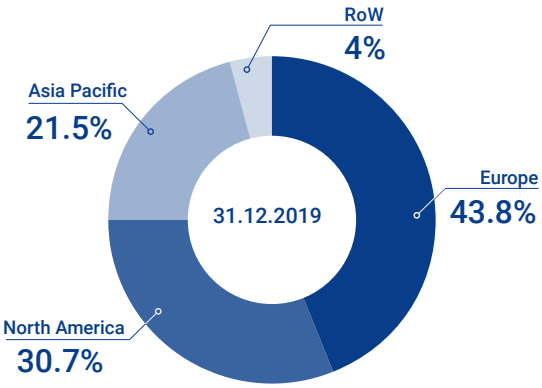
Revenue in North America increased by EUR 15.4 million, or 19.2%, from EUR 80.1 million in 2018 to EUR 95.5 million in 2019 on a reported currency basis (13.2% on a constant currency basis). The revenue generated in U.S., which represents almost all the revenue in this market, increased by EUR 15.5 million, or 19.6%, from EUR 79.2 million in 2018 to EUR 94.7 million in 2019 on a reported currency basis (13.6% on a constant currency basis). Our growth rate in 2019 in the U.S. outpaced our reported Group-wide average revenue growth rate of 6.3%. Our increased penetration in the U.S. market was supported by our expanded U.S. salesforce which added 13 additional personnel in 2019 and 10 agents in the joint product line. Our reported revenue in North America was partially sustained by a positive tailwind from the exchange rate. Specifically, in the course of 2019, the EUR weakened against the USD by an average of 5.3% (as compared to the average 2018 exchange rate), positively impacting revenue translated into EUR from our North America operations. The strong 2019 result, was partially affected by unusual delays in setting up new surgeons and in starting in new geographic areas which are expected to be recovered in the course of 2020. As a percentage of our total revenue, revenue from North America increased in 2019 to 30.7% (as compared to 29.4% in 2018).

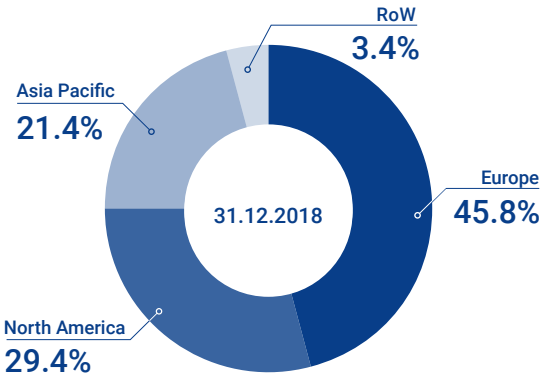
Revenue in Asia Pacific increased by EUR 8.6 million, or 14.8%, from EUR 58.3 million in 2018 to EUR 66.9 million in 2019 on a reported currency basis (13.3% on a constant currency basis). The increase was largely the result of expanded product sales and increased revenue generated in the Japanese market, which increased by EUR 5.0 million, or 26.2%. The Australian market contributed to this performance with an increase of EUR 3.6 million, or 9.7% (11.4% on a constant currency basis), thanks to a refined marketing strategy, which achieved a 17.7% constant currency growth during the second semester 2019. Our increased penetration of the Asia Pacific market was also supported by our expanded Asia Pacific direct sales force.

In addition, in the course of 2019, the EUR strengthened against the AUD by an average of 1.5% (as compared to the average 2018 exchange rate), negatively impacting revenue translated into EUR from our Australian operations. Revenue in Japan was favourably impacted by exchange rate fluctuations given that EUR weakened against the JPY by 6.5% (as compared to the average 2018 exchange rate). As a percentage of our total revenue, revenue from Asia Pacific remained largely stable at 21.5% in 2019 (as compared to 21.4% in 2018).

Revenue in RoW increased by EUR 2.8 million, or 30.1%, from EUR 9.3 million in 2018 to EUR 12.1 million in 2019 on a reported currency basis (28.1% on a constant currency basis). This area is covered by third-party distributors that we opportunistically engage in certain non-strategic markets. The strong growth in RoW is sustained by both new distributors started in new markets and expansion in markets already covered. In particular, in 2019 Medacta expanded into five new target regions with new distributors worldwide: Cyprus, Ecuador, Lebanon, Paraguay and Tunisia. As a percentage of our total revenue, revenue from RoW increased to 4.0% in 2019 (as compared to 3.4% in 2018).

The graphics below provide an overview of our revenue by geography for the year December 31, 2019 and 2018.



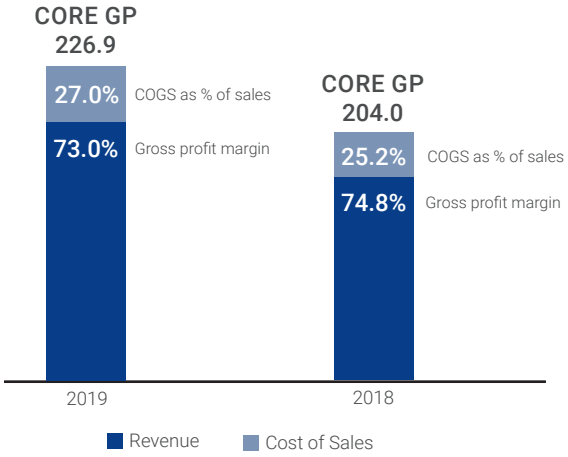


CORE COST OF SALES AND GROSS PROFIT

Our cost of sales normalized by the impact of the one-time Fidelity Bonus (i.e. our CORE Cost of Sales) increased by EUR 15.1 million, or 22.0%, from EUR (68.6) million in 2018 to EUR (83.7) million in 2019.

Overall, our CORE gross profit as a percentage of revenue decreased from 74.8% in 2018 to 73.0% in 2019. This decrease was mostly attributable to the combined effects of the higher CORE COGS and negative price trends in specific markets.

With regard to CORE COGS, we experienced a negative impact from depreciation and amortization that increased at a higher pace than revenue by 0.5%, an increase in royalties by 0.2% and a general increase in purchase price of certain row materials.



Depreciation and amortization costs increased mostly reflecting the incremental number of instrument sets manufactured (i.e., increased asset volume). The overall fluctuation in the depreciation of instruments sets was impacted by timing differences between investments made in new instruments and the related revenue generated by the use of the instruments, which is more significant for our newer product lines.

CORE EBIT PERFORMANCE*

(Thousand Euro)	31.12.2019	31.12.2018	Delta	Delta %
CORE Research and Development expenses	(6'495)	(3'933)	(2'562)	65.1%
CORE Sales and Marketing expenses	(120'901)	(104'957)	(15'944)	15.2%
CORE General and Administrative expenses	(41'761)	(32'865)	(8'896)	27.1%
CORE Other income	1'196	1'579	(383)	-24.3%
CORE Other expenses	(1'124)	(705)	(419)	59.5%
CORE OPERATING EXPENSES (OPEX)	**(169'085)**	**(140'881)**	**(28'204)**	**20.0%**
CORE OPERATING PROFIT (EBIT)	**57'811**	**63'099**	**(5'288)**	**-8.4%**

* 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, depreciation and amortization expenses (including impairments), business expenses and other non-capitalized expenses. During 2019, we continued investing in research and development, and in particular in certain long-term research initiatives, to support our strategy of broadening our product portfolio. Our CORE research and development costs that were expensed increased by EUR 2.6 million, or 65.1%, from EUR (3.9) million in 2018 to EUR (6.5) million in 2019.

In 2019, depreciation increased by EUR 1.2 million, or 65%, following the completion of certain key projects, that were fully developed between the end of 2018 and the beginning of 2019. Also, the residual increase in costs is partially affected by the 2018 European grants received on research projects for approximately EUR 0.6 million that we did not obtained in 2019.

CORE Sales and marketing expenses

Our CORE sales and marketing expenses increased by EUR 15.9 million, or 15.2%, from EUR (105.0) million in 2018 to EUR (120.9) million in 2019. CORE Sales and marketing expenses as a percentage of total revenue slightly increased to 38.9% in 2019 from 38.5% in 2018.

This difference is attributable to the combined effect of the increase in congresses and marketing expenses by 1.8% weight on sales, given the 9th M.O.R.E. International Symposium, partially compensated for 1.3% by the reduction in other marketing initiatives.

CORE General and administrative expenses

Our CORE general and administrative expenses increased by EUR 8.9 million, or 27.1%, from EUR (32.9) million in 2018 to EUR (41.8) million in 2019, mainly due to an increase in costs associated with the listing. CORE general and administrative expenses as a percentage of total revenue increased to 13.4% in 2019 from 12.1% in 2018.

The 1.3% increase is primarily related to the increase in payroll costs equal to EUR 2.8 million or 0.9% given the staff hired in operations such as supply chain, quality assurance, IT and administration, the incremental costs of the Board of Directors for approximately EUR 0.6 million or 0.2% and incremental consulting and advising fees for legal, investor relations and auditing activities for approximately 0.3%.

CORE Other income and expenses

Our CORE other income decreased by EUR 0.4 million, or 24.3%, from EUR 1.6 million in 2018 to EUR 1.2 million in 2019 largely as a result of less profit on sale of tangible assets and reimbursement from insurance companies. Our other expenses increased by EUR 0.4 million, or 59.5%, from EUR (0.7) million in 2018 to EUR (1.1) million in 2019 due to an increase in miscellaneous expenses.

FINANCIAL INCOME AND COSTS

Our financial income increased by EUR 1.0 million, or 87.9%, from EUR 1.1 million in 2018 to EUR 2.1 million in 2019, mainly due to realized and non-realized gains on exchange rates in 2019 in the amount of EUR 2.0 million.

Our financial costs increased by EUR 3.5 million, or 76.1%, from EUR (4.6) million in 2018 to EUR (8.0) million in 2019 as a result of increased foreign exchange losses for EUR 2.6 million and increased interest expenses in the amount of EUR 0.9 million following the financial debt incurred in 2018 to finance the distribution of dividends.

INCOME TAXES

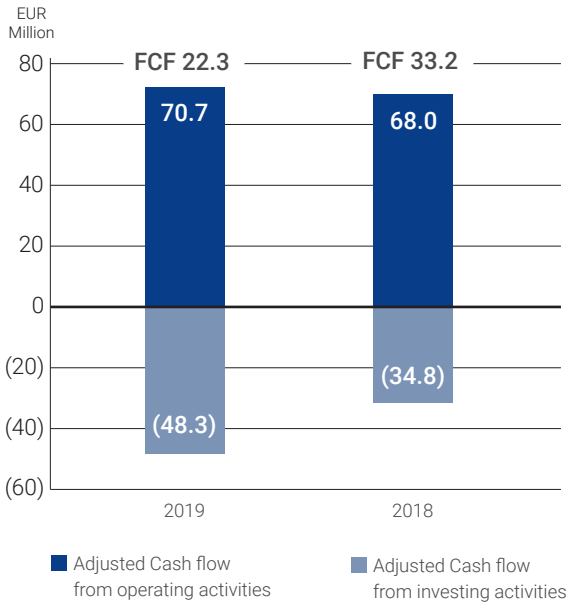
The reduction in the tax rate led to total reported taxes of EUR 1.8 million, reduced by EUR 10.5 million from EUR 12.3 million in the previous year. This difference is primarily attributable to the change in the tax rate of Medacta International from 19.5% to 18.6%, that caused a reduction in current taxes of the year, the reversal of deferred taxes for about EUR 1.7 million and the material reduction of the profit before tax given the impact of abnormals of around EUR 38.2 million.

FREE CASH FLOW

Adjusted for abnormals, Cash flow from operating activities was equal to around EUR 70.7 million, compared to EUR 68.0 million as of December 31, 2018. The adjusted cash flow from operating activities of EUR 70.7 million is composed by the reported cash flow from operating activities amounted to EUR 42.6 million, adjusted by abnormals for EUR 28.1 million. The increase from prior year is primarily driven by the increase in our adjusted profit.

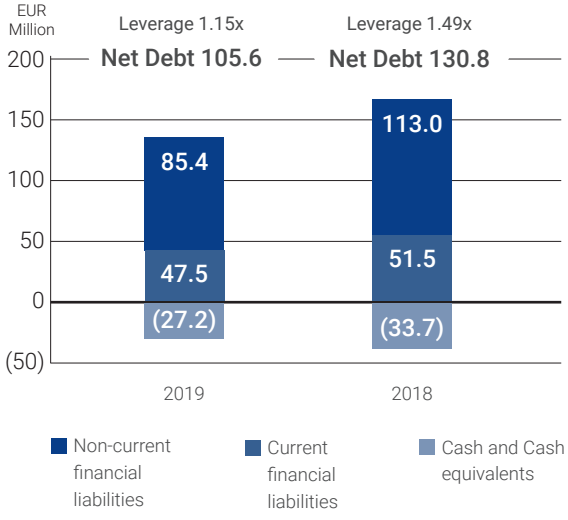
Reported cash flow from investing activities amounted to EUR 42.0 million, mainly reflecting investments in instruments and to the investments in the development of new implants and surgical instruments or of existing products to sustain the growth of the Group. In 2019 cash flow from investing activities has been adjusted due to the sale of non-strategic assets for approximately EUR 6.3 million, increasing the adjusted cash flow from investing activities to EUR 48.3 million. The previous year adjusted cash flow from investing activities equal to EUR 34.8 million was adjusted by the cash consideration paid for Rancate manufacturing plant of EUR 14.4 million.

The free Cash flow adjusted for the above mentioned effects, decreased from EUR 33.2 million in 2018 to EUR 22.3 million in 2019.



CAPITAL STRUCTURE

Group Net Debt in 2019 was equal to around EUR 105.6 million, compared to EUR 130.8 million as of December 31, 2018. This reduction is also reflected in our leverage that decreased from 1.49 in 2018 to 1.15 in 2019. The improvement in our capital structure is primarily due to the free cash flow generated during the year and the capital contribution from selling shareholders. Also, in 2019 the IFRS 16 adoption required the reclassification of finance leases in a separate line item (i.e. current and non-current lease liabilities). For this reason, our 2019 Net Debt is not including finance leases for EUR 9.4 million while in 2018 finance lease classified in Ned Debt were equal to EUR 8.8 million.



1.1 ALTERNATIVE PERFORMANCE MEASURES

The financial information provided in the selected sections of the 2019 Annual Report, including "Highlights Year 2019", "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 M&A transactions, restructuring, extraordinary legal expenses, one-time tax duty, exceptional pension-plan settlements 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, 2019 and 2018. The impact of IFRS 16* and the 9th MORE Symposium in Lugano** on Adjusted EBITDA and on Adjusted free cash flow was normalized in the APM section of the 2019 Half-Year report, however moving forward it will not be necessary to provide any normalization with prior periods, hence we decided that was clearer to provide only disclosure instead of a separate reconciliation table (see also "2019 Highlights" notes under key financial figures).

2019 CORE RESULTS RECONCILIATION

(Thousand Euro)	IFRS	IPO costs[1]	Stamp duty[2]	Fidelity Bonus[3]	Provisions on litigation[4]	Legal costs[5]	Sale of non-strategic asset[6]	CORE[7]
Revenues	310'623	-	-	-	-	-	-	310'623
Cost of Sales	(86'926)	-	-	3'199	-	-	-	(83'727)
GROSS PROFIT	**223'697**	**-**	**-**	**3'199**	**-**	**-**	**-**	**226'896**
Research and Development expenses	(7'641)	-	-	1'146	-	-	-	(6'495)
Sales and Marketing expenses	(127'087)	-	-	6'186	-	-	-	(120'901)
General and Administrative expenses	(63'940)	2'775	-	4'748	10'576	4'080	-	(41'761)
Other income	1'592	-	-	-	-	-	(396)	1'196
Other expenses	(7'008)	-	5'884	-	-	-	-	(1'124)
OPERATING PROFIT (EBIT)	**19'613**	**2'775**	**5'884**	**15'279**	**10'576**	**4'080**	**(396)**	**57'811**

OPERATING PROFIT (EBIT)	**19'613**	**2'775**	**5'884**	**15'279**	**10'576**	**4'080**	**(396)**	**57'811**
Depreciation and Amortisation	(33'733)	-	-	-	-	-	-	(33'733)
EBITDA	53'346	2'775	5'884	15'279	10'576	4'080	(396)	91'544
EBITDA MARGIN	**17.2%**							**29.5%**

[1] IPO Costs incurred in 2019, refer to paragraph "Initial public offering" of the Notes to the Consolidated Financial Statements.

[2] Stamp duty cost, refer to note 6.24 "Information on the Consolidated Statement of Profit or Loss", paragraph "Other income / (expenses)" of the Notes to the Consolidated Financial Statements.

[3] Fidelity Bonus to Medacta's employees, refer to Note 6.24 "Information on the Consolidated Statement of Profit or Loss".

[4] Provisions on litigation, refer to Note 6.25 "Litigations", paragraph "Microport Matter". No such similar provision was made in the financial year 2018.

[5] Legal costs incurred in 2019 on litigations, refer to Note 6.25 "Litigations".

[6] Gain from the sale of a non-strategic portion of the building in Castel San Pietro. Refer to Note 6.24 "Information on the Consolidated Statement of Profit or Loss".

[7] References to "adjusted" are the equivalent to "CORE" references (i.e., adjusted EBITDA and CORE EBITDA are interchangeable).

[*] IFRS 16 adoption starting from January 1, 2019 positively impacted our EBITDA, since lease expenses are classified in depreciation of right-of-use assets (Euro 2'964 thousand) and financial costs (Euro 191 thousand). In the comparative period, lease expenses were classified within "Opex" for a total amount of Euro 2'990 thousand.

[**] The 9th M.O.R.E Symposium normalization in our 2019 Half-Year report, related to the abnormal concentration of costs recognized in H1 2019 which were incremental compared to prior period. We have not adjusted our full year 2019 financials for these costs.

2018 CORE RESULTS RECONCILIATION

(Thousand Euro)	IFRS	IPO costs[8]	IFRS conversion[9]	CORE[10]
Revenues	272'610	-	-	272'610
Cost of Sales	(68'630)	-	-	(68'630)
GROSS PROFIT	**203'980**	**-**	**-**	**203'980**
Research and Development expenses	(3'933)	-	-	(3'933)
Sales and Marketing expenses	(104'957)	-	-	(104'957)
General and Administrative expenses	(34'454)	644	945	(32'865)
Other income	1'579	-	-	1'579
Other expenses	(705)	-	-	(705)
OPERATING PROFIT (EBIT)	**61'510**	**644**	**945**	**63'099**

OPERATING PROFIT (EBIT)	**61'510**	**644**	**945**	**63'099**
Depreciation and Amortisation	(24'837)	-	-	(24'837)
EBITDA	86'347	644	945	87'936
EBITDA MARGIN	**31.7%**			**32.3%**

[8] IPO Costs incurred in 2018 reflect costs of financial, legal and other advisors in preparation of the Offering Memorandum.

[9] IFRS conversion costs reflect costs of accounting and tax advisors related to the first time adoption of IFRS, as well as the audited restatements of historical financials in accordance with IFRS.

[10] 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)	31.12.2019	31.12.2018
CASH FLOW FROM OPERATING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**42'635**	**66'408**
Adjustments for:		
IPO Costs	2'775	644
Stamp Duty	5'884	-
Fidelity Bonus	15'279	-
Legal costs	4'080	-
IFRS conversion	-	945
ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES	**70'653**	**67'997**

CASH FLOW FROM INVESTING ACTIVITIES (IFRS BASIS IN ACCORDANCE WITH IAS 7)	**(42'041)**	**(49'224)**
Normalized for:		
Rancate investments	-	14'423
Sale of non-strategic asset	(6'302)	-
ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES	**(48'343)**	**(34'801)**
ADJUSTED FREE CASH FLOW[11]	**22'310**	**33'196**

[11] IFRS 16 adoption starting from January 1, 2019 positively impacted our Free cash flow, since lease expenses are classified in depreciation of right-of-use assets (Euro 2'964 thousand). In the comparative period, lease expenses were classified within "Opex" for a total amount of Euro 2'990 thousand.

KPI DEFINITIONS

CORE

In accordance with the new directive 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 one-time M&A transactions, restructuring expenses, amortization and impairment of goodwill and acquisition-related intangible assets. A reconciliation table of the reported and CORE ratios with additional descriptions is provided on paragraph 1.1 "Alternative Performance Measures" of this report.

EBITDA

EBITDA is a non-IFRS measure that represents profit or loss for the period before finance costs, finance income, income taxes, depreciation and amortization. EBITDA margin is defined as EBITDA divided by revenues, expressed as a percentage. We define EBITDA as profit / (loss) for the period before net interest expense, income taxes, depreciation and amortization. Adjusted EBITDA (i.e. CORE EBITDA) represents EBITDA before additional specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. Management considers Adjusted EBITDA to be a key measure of financial performance and believes that this measure provides additional useful information for prospective investors on performance and is consistent with how the business performance is measured internally. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

CONSTANT CURRENCY

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

OPEX

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

EQUITY RATIO

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

NET TRADE WORKING CAPITAL

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

FREE CASH FLOW

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

NET DEBT

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

LEVERAGE

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

2. MEDACTA GROUP IN BRIEF

Medacta was established in 1999 by Alberto Siccardi, our founder, chairman and former CEO, whose own journey as a patient convinced him of the importance of pioneering a new approach to joint replacement. In 2000, we established our headquarters, manufacturing facility and research and development site at Castel San Pietro, Switzerland. During the early years, we predominately 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 has since been performed in over 380'000 cases. In 2004 we created the M.O.R.E. Institute to educate and engage with our customer surgeons, initially with a focus on how to optimally employ the AMIS technique. Following our initial success with our Hip business line, the first knee replacement using our GMK Primary System was performed in 2006. Subsequently, we expanded our efforts to the development of personalized patient solutions, and the first knee surgery using our patient-specific MySolutions technology took place in 2009.

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

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

2.1 VISION

Our vision to improve the care and well-being of orthopaedic and spine surgery patients around the world stems from our experience and passion. Our surgical innovations and surgeon education programs focus on getting patients back to their healthy, active lifestyles. While we strive for this goal, we maintain a high regard for sustainability, always considering the environmental and societal impact of the products we create.

2.2 MISSION

Our mission is to transform the patient experience by advancing surgical approaches, implants and instruments through responsible innovation. Our innovation began with minimally invasive techniques and has evolved into personalized solutions. Today, we continue to improve our knowledge of the human body, employ cutting-edge technologies such as 3D printing, invest in medical education, research and development and collaborate with surgeons and universities worldwide.

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

April 4, 2019

MEDACTA OFFICIALLY ENTERS THE SIX SWISS EXCHANGE

Medacta becomes a publicly listed company

The issued share capital of Medacta Group SA comprises 20'000'000 registered shares with a nominal value of CHF 0.10 per share. In the base offering, 5'700'000 existing shares were offered by members of the Siccardi family.

The total market capitalization was CHF 2.08 billion, based on the opening price of CHF 104.00 per share.

A new chapter in the history of Medacta

The stock exchange listing underscores the successful development of Medacta since its founding in 1999. As a publicly listed company, Medacta has now the possibility to further increase its awareness and visibility with investors and other stakeholders – such as surgeons and scientists – around the world.

The company's foundation for future success remains unchanged: redefining the experience for people needing joint replacement, spine surgery and soft tissue repair through surgeon medical education and innovation, leading to better results for both surgeons and patients as well as the healthcare system at large.

Maria Luisa Siccardi Tonolli (Member of the Board of Directors), Alessandro Siccardi (Supply Chain Director and Member of the Group Executive Management), Francesco Siccardi (CEO and Member of the Group Executive Management), Alberto Siccardi (Chairman of the Board of Directors), from left to right.

3. ASSETS TO COMPETE

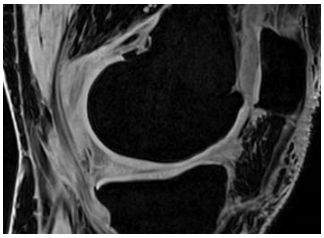
The orthopaedics market is characterized by continuous technological changes, frequent new product introductions and evolving industry standards resulting from technological advances and scientific discoveries. Our assets to compete in such a complex environment are: innovation, education and healthcare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

3.1 INNOVATION

Innovation is of paramount importance at Medacta and is expressed in the originality of our surgical techniques and products. Innovation is the foundation of all our projects and the basis of our growth strategy.

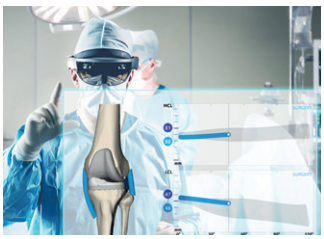
PILLARS

Our innovation is based on three pillars: a complete and profound knowledge of the human body, continuous investments in long-term and short-term research and development (R&D) and the adoption of cutting-edge technologies.



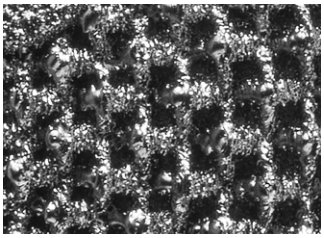
COMPLETE AND PROFOUND KNOWLEDGE OF THE HUMAN BODY

Technology has always been one of our core priorities where we have dedicated significant resources leading to developments such as the MyBody Database, which consists of over 90'000 CT, MRI and biomechanical models to optimize implant design and positioning as well as computer assisted/application-based systems in connection with surgical planning and navigation. The MyBody database was crucial in allowing us to leverage our orthopaedic expertise and comprehensive understanding of the human body and to develop our sophisticated MySolutions technology.



RESEARCH AND DEVELOPMENT

Our R&D team is divided into three business units: Joint, Spine and Sportsmed. We have a range of research resources available in-house, including the MyBody database, 3D printing capabilities and facilities for prototype development. To reduce infection and patient remittance rates we have expanded our research and development focus to surface technology with the development of antibacterial treatment for our implant portfolio. We also engage external laboratories, in particular University laboratories, to assist us in carrying out research on specific projects. We also have a proprietary augmented reality surgical navigation system: NextAR. We believe that this system will be a performing solution that provides efficiency and precision in computer-assisted surgery, with low upfront capital investment required by clinics and hospitals as well as economic benefits to the healthcare system through increased utilization rates and low cost per procedure. Another innovative development in the field of robotics is our robotic leg positioner for use in AMIS procedures that enhances surgeon precision and control during surgery.



CUTTING-EDGE TECHNOLOGIES

The development of our product pipeline is further supported by our research into and development of big data, cutting-edge manufacturing, smart robotics, navigation and surface technology, which together are driving our next generation of product offerings. We developed a three-dimensional advanced biomaterial, 3DMetal, for use in our knee and hip implants. 3DMetal is based on 3D printing technology of the proven Ti6Al4V alloy that enables direct structural connection with the bone. The architecture of the outer surfaces consists of interconnecting pores and resembles cancellous bone. We are also further developing our manufacturing capabilities through the use of 3D printing, which facilitates better implant fixation and increases production speed and efficiency at lower costs.

MINIMALLY INVASIVE TECHNIQUES

Since our foundation, having recognized that minimally invasive surgery offers a range of benefits for patients, surgeons and healthcare systems (including short hospitalization, reduced post-operative pain, immediate post-operative muscle tone preservation, reduced risk of dislocation and short rehabilitation time), we have developed new offerings on the basis of minimally invasive techniques. For example, 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 – offer a holistic approach to hip procedures and improved patient outcomes. With over 380'000 procedures performed worldwide since its introduction in 2004, AMIS represents an easily reproducible technique that delivers significant benefits to patient well-being while optimizing costs and efficiency for the surgeon. In addition to our AMIS technique, we offer a range of minimally invasive products for the Knee (MyKnee, GMK Efficiency) and Spine (MySpine MC, M.U.S.T. MIS, MectaLIF Anterior) business lines.

PERSONALIZED SOLUTIONS

Our innovation also extends to our sophisticated MySolutions technology, which enables us to offer surgeons highly personalized preoperative planning and implant placement methodologies by creating advanced patient-personalized kinematic models and 3D planning tools. Originally designed as MyKnee to address an unmet need for better implant positioning in the total knee replacement market, MySolutions can now also be used in hip (MyHip), shoulder (MyShoulder) and spine (MySpine) procedures. Our MySolutions technology has resulted in significant advantages to the patient and has been widely adopted by our customer surgeons. For example, MyKnee procedures accounted for approximately 45% of total knee replacement procedures carried out using Medacta products in 2019.

M.O.R.E. EXCELLENCE CLINICAL PROGRAM

One of our main strategies has been and will continue to be the responsible introduction of innovative products to the market, which we achieve through extensive research and development followed by limited market release and continued post-marketing surveillance. For the years ended December 31, 2019 and 2018, we dedicated 5.2% and 4.4% of our revenue, respectively, to our research and development initiatives. In addition, we capitalized EUR 8.5 million and 7.9 million for the years ended December 31, 2019 and 2018, respectively.

The M.O.R.E. Excellence Clinical Program enables us to responsibly introduce innovative products to the marketplace by defining the steps and milestones applicable to Medacta products ahead of their full release following the receipt of initial regulatory approvals (e.g., receipt of the CE mark in Europe). Under this program, we typically release new products on a restricted basis to conduct voluntary clinical programs in order to further document their efficacy. Driven by an internal risk analysis, the duration and scope of each of our clinical programs can vary depending on a number of factors, including the degree of innovation behind the relevant product, the specific indications of the device and the possible adverse events described in scientific literature. As a recent illustrative example, our GMK Sphere knee implant was fully released to the market only after a controlled program in which over 3'000 cases were evaluated during a period of more than three years. To the extent possible, our clinical programs follow the guidelines recommended by independent organizations, such as the Orthopaedic Data Evaluation Panel or the Beyond Compliance Program.

Following the full market release of our products, we continuously monitor and assess the performance of our implants by way of our post-marketing surveillance program, which channels all reports of adverse events to a dedicated group of internal experts. These experts, in consultation with other internal or external experts and resources (as needed), assess each event and issue a specific report with a comprehensive analysis of the known elements to enable each adverse event to be fully understood and the risks carefully evaluated.

Moreover we sponsor, support and participate in clinical post-marketing studies conducted by leading international experts to continuously improve our knowledge and understanding.

M.O.R.E. Excellence
CLINICAL PROGRAM

3.2 EDUCATION

We believe that education is an indispensable tool for transforming innovation into concrete benefits for patients, surgeons and healthcare systems. For our customer surgeons, we have introduced a range of training and technical support initiatives through our M.O.R.E. Institute. Since its founding in 2004, the M.O.R.E. Institute has become a global education platform tailored to the needs of the individual surgeon, with courses addressing each of our business lines. We provide our customer surgeons with personalized, structured and accessible education on our technologies and procedures, which increases surgeon loyalty and ensures that our offerings are used to the best advantage of the patient and surgeon. We also provide our customer surgeons with ongoing support and proctoring as they master the use of our technologies and procedures, and create an interactive and supportive community in which they can learn and share experiences with other surgeons. Our educational initiatives result in high levels of ongoing customer engagement: for example, in 2019, approximately 1'250 surgeons attended educational events and participated in more than 750 surgeon-to-surgeon visits.

Our systematic approach to customer development through education is a key factor of our success, allowing us to cultivate a strong partnership between us and our customer surgeons and facilitating the widespread adoption of our products and surgical techniques. We believe that our customer engagement and education initiatives contribute significantly to our customer retention and surgeons' acceptance and use of our offerings. We believe that our close partnership with surgeons benefits us in developing and refining our product and techniques. As a result of our focus on customer engagement, we remain continuously connected to surgeons and have the opportunity to keep up-to-date with and influence the latest advancements in the orthopaedics field.

We dedicate considerable resources to developing and cultivating our relationships with our customer surgeons.

There is a learning process involved for surgeons to become proficient in the use of our products, and it is critical to the success of our commercialization efforts that enough surgeons are educated and trained in the use of our products. As we increase the scale of our business, we expect to continue to dedicate significant resources to our customer engagement and education initiatives.

With the M.O.R.E. Institute
the Surgeon is never alone

3.3 HEALTHCARE SUSTAINABILITY

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

Our AMIS technique with its dedicated instrumentation (such as the AMIS Mobile Leg Positioner) is meant to streamline, simplify and facilitate reproducibility of the anterior approach. MyKnee, our first offering using our MySolutions technology, allows to execute the pre-operative 3D planning based on CT or MRI images of the patient's knee, with potential benefits for both the surgeon and the patient. Moreover, we have developed single-use instrumentation for total knee implants (i.e., the GMK Efficiency system), which we believe offers several benefits in terms of infrastructure and personnel costs to hospitals and, in particular, outpatient surgical settings. In addition, such single-use instrument sets have a positive impact on our operating cash flow, since the production of these instruments is classified as inventory (as opposed to capital expenditures) and, thus, the return on the investment is realized quicker.

April 11-13, 2019

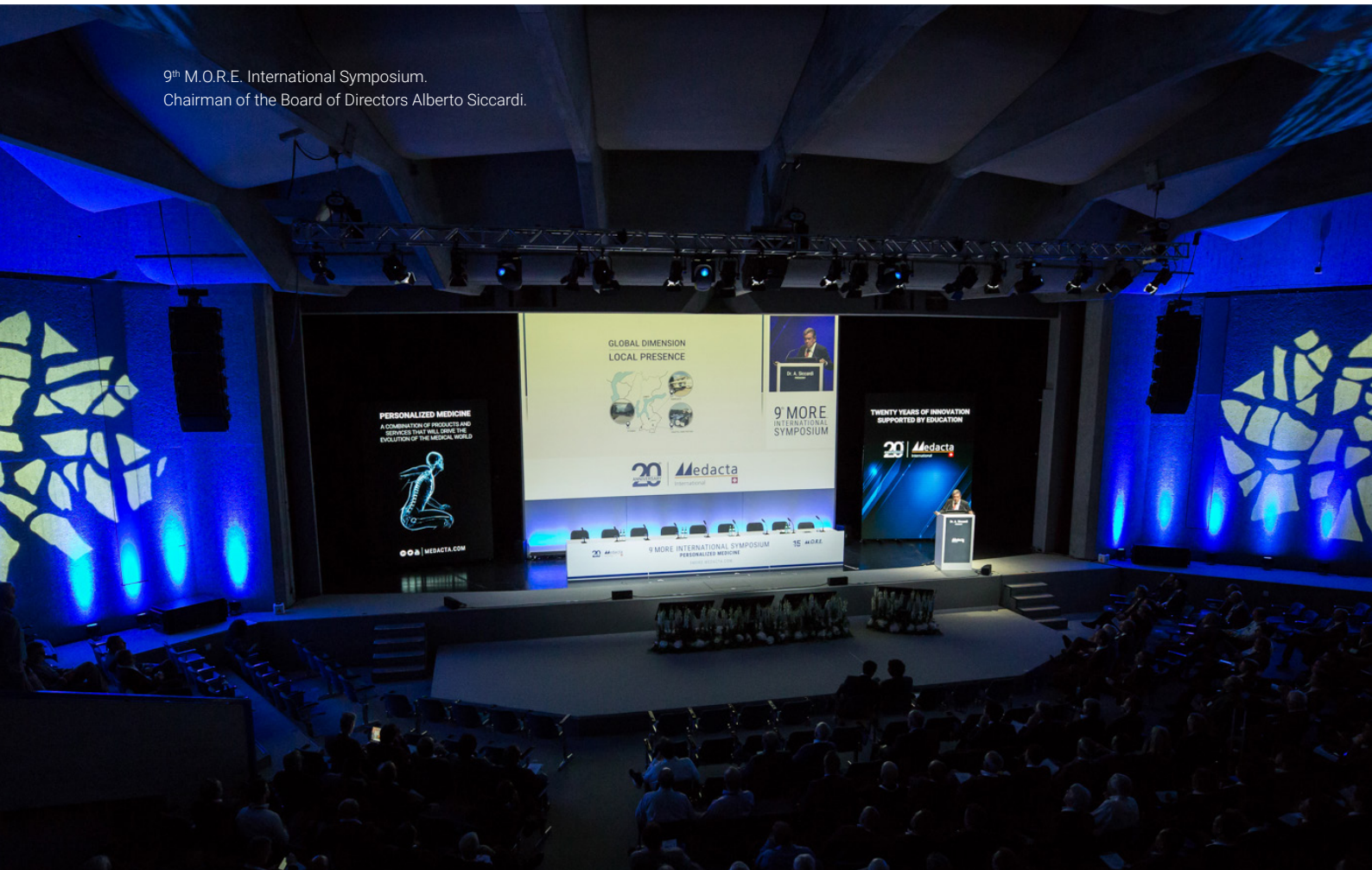
20 YEARS OF INNOVATION SUPPORTED BY EDUCATION AT THE 9TH M.O.R.E. INTERNATIONAL SYMPOSIUM

From April 11 to April 13 Medacta's 9th M.O.R.E. International Symposium was held in Lugano, Switzerland. The congress highlighted the growing trend of personalized medicine and the impact of customizable tools and patient-matched solutions in various orthopaedic disciplines.

Medacta and the M.O.R.E. Institute welcomed approximately 1'500 attendees from all over the world. Besides joint and spine sessions, the symposium – for the first time – included sessions focused on shoulder, knee and hip treatments for sports medicine. More than 130 orthopaedic experts presented at the meeting, including keynote speakers Bernhard Jost (Switzerland) and Douglas Padgett (U.S.) for joint; Matthias Zumstein (Switzerland) for sports medicine; and Paul Heini (Switzerland) and Klaus Radermacher (Germany) for spine.

"As we launch into our 20th year, we reinforce that Medacta was built on the belief that innovation and continuous surgeon education can and will improve a patient's experience in orthopaedics and positively impact overall healthcare sustainability", said Francesco Siccardi, CEO of Medacta. *"We are thrilled to host orthopaedic surgeons from all over the world as we seek to amplify international discourse concerning personalized solutions for patients seeking pain relief in all areas of orthopaedic care."*

During the 9th M.O.R.E. International Symposium, Medacta also celebrated the 15th anniversary of the M.O.R.E. Institute.



9th M.O.R.E. International Symposium.
Chairman of the Board of Directors Alberto Siccardi.

4. PRODUCTS AND BUSINESS LINES

4.1 OVERVIEW

We have grown considerably since our foundation, largely driven by our attractive product mix. The cornerstone of our business has been our activities in the Hip and Knee business lines, where we have an established presence.

More recently, we have leveraged the know-how we gained from the Hip and Knee business lines to develop new products and techniques in our nascent Spine, Shoulder and Sportsmed business lines in order to offer surgeons and patients the benefit of Medacta design, innovation and training across a wider range of orthopaedic indications.

We are pioneers in developing new and innovative products and surgical techniques that we believe differentiate us from our competitors. To broaden and further expand our product portfolio, our pipeline consists of a range of new products and product enhancements focused on personalized medicine, across all of our business lines. We are also actively developing our revision offerings (i.e., replacement of existing implants that wear out over time and/or upon implant failure), which currently only focuses on products for knee revision procedures, with the aim of introducing hip revision offerings by 2020 and shoulder revision offerings by 2021.

4.2 JOINT PRODUCTS AND TECHNOLOGIES

Our joint business unit is composed of three business lines: Hip, Knee and Shoulder, with the first two contributing 52.8% and 35.9%, respectively, to our revenues for the year ended December 31, 2019.

HIP

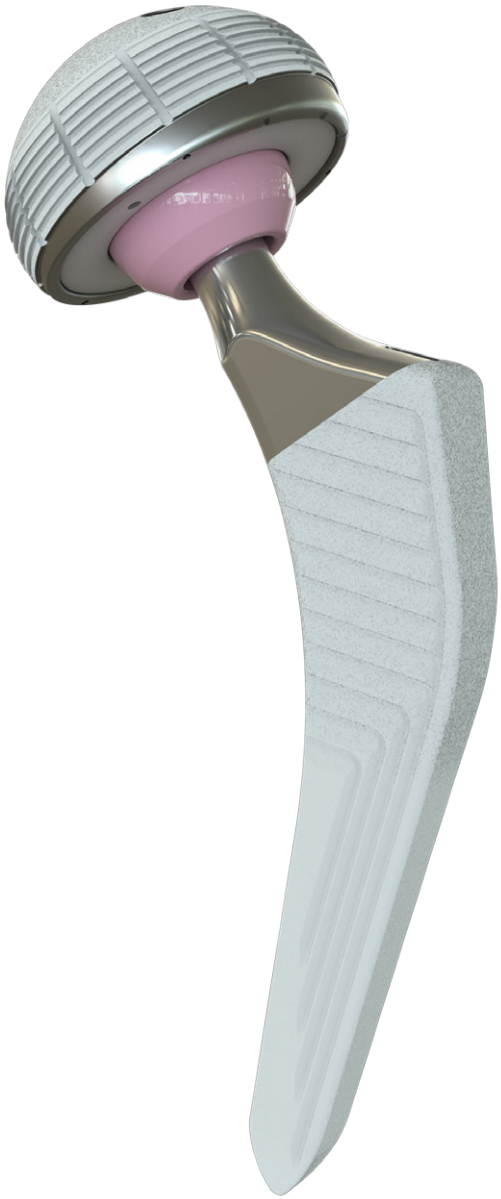
Since our founding in 1999, we have focused on developing new and improved products, technologies and methodologies for the hip segment of the orthopaedics market. In the intervening 20 years, we have become a pioneer in developing new offerings for hip replacement patients on the basis of our minimally invasive surgical techniques, supported by our extensive surgeon training and education initiatives.

In 2004, we developed the innovative AMIS technique for hip implants in conjunction with an international group of expert surgeons. With over 380'000 procedures performed worldwide since its introduction, the AMIS technique is a surgical technique involving an anterior approach to the hip. The anterior approach addresses issues that arise with alternative forms of hip replacement, including soft tissue damage, pain and long recovery times, dislocations and patient dissatisfaction.

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.

Our AMIS technique is complemented by a unique package of supporting products, including dedicated implants, specially-designed instruments and the AMIS Mobile Leg Positioner, as well as a dedicated and trained sales force. To optimize and standardize the implementation of the AMIS technique, we have developed a highly structured surgeon training protocol, the AMIS Education Program, which we believe has contributed to making the AMIS technique a preferential and easily reproducible primary total hip replacement surgical method for surgeons worldwide.

To further improve patient outcomes and ease of use of our implants, we have also developed the MyHip solution as part of our patient-specific MySolutions technology. The MyHip 3D printed patient-specifc guides allow for more accurate positioning and sizing of the hip implant. They are produced by our engineers using in-house laser sintering technology following surgeon approval of a 3D preoperative plan. Besides MyHip cutting guides, we have developed MyHip Planner, which is a surgeon-operated CT-based software whose output is a patient-specific preoperative plan. MyHip Planner can evaluate the effects of different implant choices and positioning options on the patient's hip joint biomechanics, show them to the surgeon and hence enrich the basis for a decision on surgical strategies. Finally, our MyHip Verifier is a navigational software that uses intra-operative C-arm images to assist the surgeon in evaluating the horizontal and vertical leg offsets without compromising the surgical workflow. MyHip cutting guides, MyHip Planner and MyHip Verifier can be used alongside the AMIS technique as effective tools to optimize implant selection and positioning.



Versafitcup and AMIStem-P

HIP PORTFOLIO

We offer a wide portfolio of implants for total hip replacements. Our hip implants can be used for primary procedures (i.e., first-time hip replacements) as well as revision procedures (i.e., repeat hip replacements), and have been designed to reach the highest standards of implant performance. We offer hip implants that are femoral (i.e., that mimic the anatomy of the femur) and acetabular (i.e., that mimic the anatomy of the acetabulum, which is the socket that the femoral head fits into). Our hip implants can be divided into those fixed with cement and those fixed without. The majority of our implants are cementless, relying on biological fixation of the bone to a porous surface coating on the implant. Our cemented implants use acrylic cement to quickly establish solid attachment.

Our hip implants can be used with a variety of surgical techniques. However, we encourage all surgeons using our hip implants to apply the AMIS technique to optimize patient outcomes. Currently, all of the products in our hip implant range are suitable for use with the AMIS technique.

Special instrumentation is required for procedures involving our hip implants. In collaboration with expert surgeons, we have developed a range of instruments that are designed to reduce errors and the learning curve associated with using our implants and surgical techniques.

KNEE

We have developed a range of knee replacement techniques, implants and instruments. We believe that our offerings in the Knee business line provide surgeons with an innovative, effective approach to total, partial and revision knee replacements. In 2009, we introduced MyKnee as our first offering using our MySolutions technology. MyKnee technology allows the surgeon to realize their preoperative 3D planning based on CT or MRI images of the patient's knee. This is then translated into a personalized 3D-printed placement and positioning guide to be used during the surgery. The MyKnee procedure has been used in approximately 80'000 procedures since 2009. Currently, approximately 45% of all total knee replacements using Medacta products use MyKnee technology.

In addition to MyKnee, we have developed a comprehensive platform for kinematic alignment. The Medacta Individualized Kinematic Alignment (MIKA) platform includes a particularly suitable implant for kinematic alignment (our GMK Sphere) supported by dedicated technologies and a dedicated M.O.R.E. Education Program.

KNEE PORTFOLIO

We offer a range of knee implants that cover a broad spectrum of knee replacement procedures, from total and partial knee implant systems to revision knee implant systems. Combined with our innovative surgical techniques and instrumentation, our knee implants potentially offer better reproduction of natural knee movement and can result in improved patient outcomes (e.g., greater strength when ascending or descending stairs, superior single-leg weight-bearing capacity and more stable flexion), increased efficiency for the surgeon and reduced costs per surgery.

Our GMK Efficiency system is a complete set of single-use instruments for use with GMK Sphere and GMK Primary implants. This system has been used in approximately 25% of total knee replacements that use Medacta technologies. The GMK Efficiency system requires no additional preoperative sterilization and is therefore efficient and cost-effective, optimizing logistics for the surgeon and eliminating any delays as a result of unavailable or non-sterile equipment. It also has the potential to reduce infection risk because of its single-use nature. For continual environmental responsibility, we completely offset the total amount of CO_2 connected to GMK Efficiency. Through active support for environmental sustainability projects initiated by Swiss Climate, Medacta GMK Efficiency instrumentation was rewarded with the "CO_2 neutral" certificate.

GMK Efficiency system is also available as part of our Efficiency KneePack, which contains all the components needed to implant the GMK Sphere implant by way of MyKnee and is delivered sterile in a single, lightweight box. In 2019 we launched the GMK UltiMate Efficiency instrumentation, which combines all the advantages of modern metal instrumentation with the logistical benefits of a single-use set. Our other knee implants are also accompanied by specific, dedicated instruments. The GMK UNI has been conceived to be soft tissue friendly; both implant and instrumentation are designed to fit muscle sparing surgical approaches and the implants are efficiently organized in two trays.

Finally, our knee revision offerings consist of GMK Revision and GMK Hinge, which have been designed to preserve the joint functionality without dramatically altering its anatomy and kinematics, even in cases of severe ligament instability or massive bone defects.

KINEMATIC ALIGNMENT

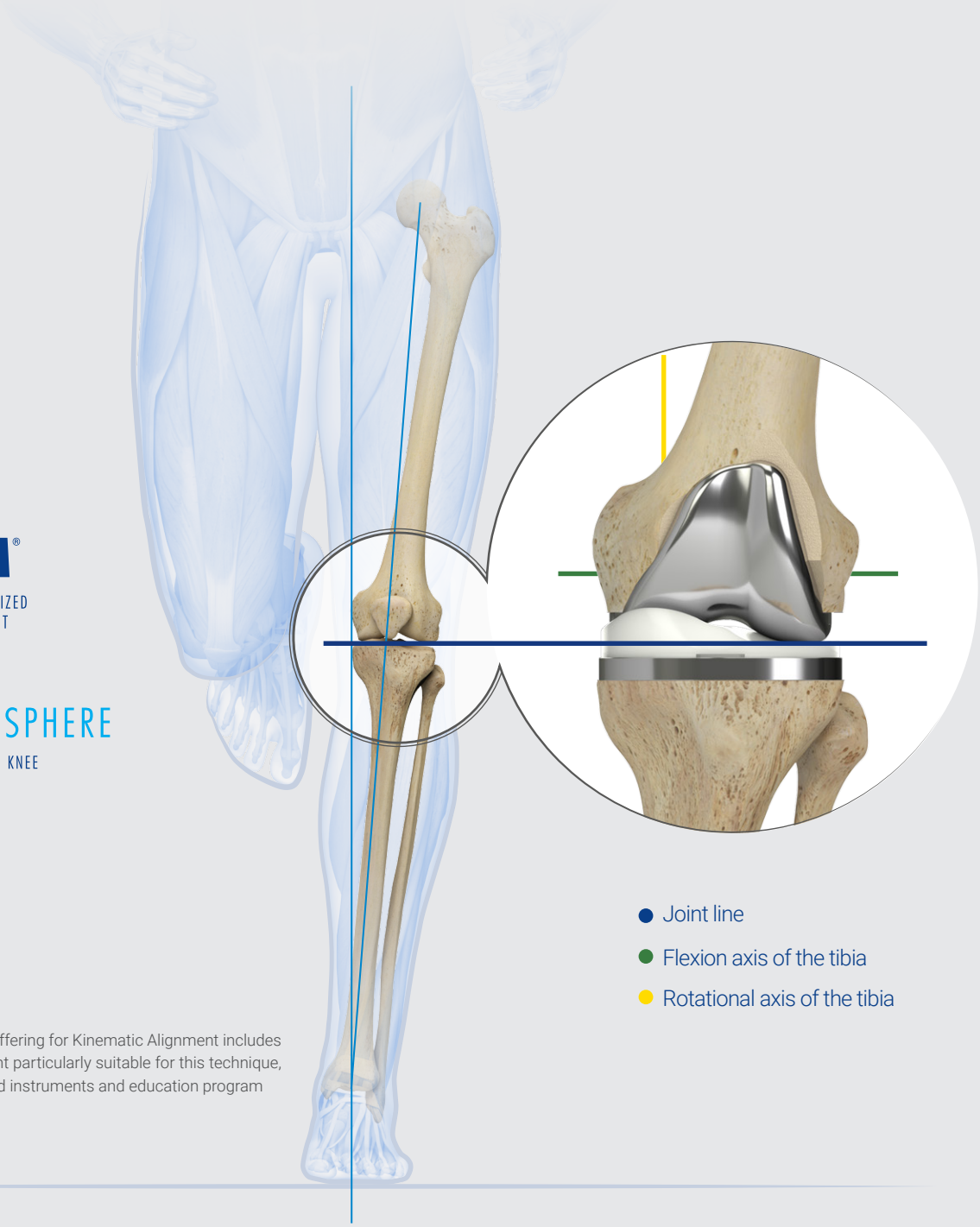
The Medacta Individualized Kinematic Alignment (MIKA) platform is an alternative to traditional mechanical alignment in total knee replacements, and aims to restore knee function by resurfacing the tibia and the femur to their normal or pre-arthritic state, while causing minimum damage to the surrounding tissues and ligaments.

It operates by custom-positioning the knee implant to the native joint line of the knee as it was in its pre-arthritic state.

Medacta's unique offering includes the GMK Sphere, a total knee implant particularly suitable for kinematic alignment. Only one year after the launch of MIKA, it is estimated that around 25% of all GMK Sphere surgeries are carried out with the kinematic alignment.

MIKA®
MEDACTA INDIVIDUALIZED KINEMATIC ALIGNMENT

GMK® SPHERE
MEDIALLY STABILIZED KNEE



Medacta's unique offering for Kinematic Alignment includes a Total Knee Implant particularly suitable for this technique, as well as dedicated instruments and education program

SHOULDER

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

SHOULDER PORTFOLIO

Our offering within the Shoulder business line is the Medacta Shoulder System, which was introduced in 2016 and is FDA-approved, CE-marked and approved by MHLW for use in Japan. The Medacta Shoulder System is an innovative modular system designed with the support of a group of international expert surgeons that offers a range of options for shoulder replacement. This innovative implant has been designed to enhance shoulder mobility and improve patient well-being. Its innovative configuration means that it can be used in the two main types of shoulder replacement procedures:

- total anatomic shoulder replacements (where the humeral head is replaced with a metallic head assembled on a metallic stem and the glenoid is replaced with a plastic component); and
- reverse shoulder replacements (where the metallic ball is attached to the glenoid while the socket is on the humeral side).

Because of the modular design of the Medacta Shoulder System, it is possible to convert a total shoulder replacement into a reverse shoulder replacement without needing to revise all the components of the implant. This is aimed at avoiding full revisions of the shoulder implant if disease progression requires conversion to reverse. In addition, the Medacta Shoulder System offers various sizes and an adjustable offset, meaning it can be optimized for the individual patient.

The Medacta Shoulder System is complemented by our patient-specific MyShoulder technology, which is FDA-approved, CE-marked and approved by MHLW for use in Japan. MyShoulder allows the surgeon to realize their preoperative 3D plan based on CT images of the patient's shoulder. This is then translated into a 3D-printed resection guide to be used during the surgery.

In addition to the Medacta Shoulder System, we are developing a portfolio of revision products that we expect to start launching in 2021.

A GROWING SHOULDER BUSINESS LINE

In 2019 Medacta introduced the MyShoulder Placement Guides for shoulder arthroplasty in Japan and the United States, following approval from the Japanese Ministry of Health, Labour and Welfare (MHLW) and the U.S. Food and Drug Administration (FDA).

These patient-specific, 3D-Printed solutions work in conjunction with the Medacta Shoulder System and associated instrumentation to create an accurate and reproducible implant placement specific to each patient's individual anatomy. It is composed by two guides and a WebPlanner.

The WebPlanner allows the surgeon to carry out a precise pre-operative planning. The two guides, a humeral cutting guide and a glenoid pin guide, assist the surgeon optimizing the precision and reducing the surgery time.

The MyShoulder platform is part of the sophisticated MySolutions technology: highly personalized pre-operative planning and implant placement methodologies for use not only in shoulder procedures, but also in hip (MyHip), knee (MyKnee) and spine (MySpine) procedures.

MyShoulder®
PATIENT MATCHED TECHNOLOGY
IN SHOULDER SURGERY

WHY CHOOSE MYSHOULDER?

- Accurate implant positioning and sizing
- Complete 3D preoperative planning
- Complete in-house technology: the MyShoulder process is performed entirely by Medacta
- A personal MyShoulder technician
- Only 3 weeks lead time

MyShoulder and preoperative interface

4.3 SPINE PRODUCTS AND TECHNOLOGIES

Our development of products for the profitable and fast-moving spine market started in 2009, when our engineers collaborated with a team of expert international surgeons to develop solutions for the treatment of various degenerative spine conditions and spine deformities. Our current comprehensive range of spine products, devices and instruments complement one another, creating a single-system approach for most spine stabilization applications. Within our spine offering, we have leveraged our expertise both in minimally invasive techniques and in personalized, patient-specific technologies to offer optimum results to patients. Our spine products are FDA-approved and CE-marked, and are also approved for use in Japan and Australia.

Building on our proprietary MySolutions technology, we have developed MySpine to be used with our product offerings within the spine segment. MySpine offers surgeons a patient-specific 3D-printed pedicle screw placement guide, resulting in accurate positioning of the screws, reduced X-ray dosage and reduced time and cost.

In addition, we offer MySpine MC which is a patient-specific 3D-printed solution for surgeries that use the midline cortical approach. It 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 both radiation exposure and financial cost compared to free hand open lumbar fusion surgery. The goal of MySpine MC is to combine a successful fusion rate with increased predictability of clinical outcomes.

SPINE PORTFOLIO

We have developed a portfolio of spine products that includes implants and accompanying instruments. Our spine systems are designed to address degenerative spine conditions and other spinal deformities, such as scoliosis. Our spine products include pedicle screw system and intervertebral cages and are made of titanium alloy, cobalt chrome alloy, polyether ether ketone (PEEK) and titanium-coated PEEK material. They are available in a variety of heights, angles and footprints that allows the patient's anatomy to be taken into account, resulting in variable anatomic shaping.

MYSPINE MC WINS MEDTECH BREAKTHROUGH AWARD FOR ORTHOPAEDICS AND SURGICAL INNOVATION

MySpine MC platform has been recognized as 2019 "Best Healthcare Navigation / Robotics Solution" by MedTech Breakthrough.

MySpine MC is a patient-specific 3D-Printed solution for surgeries that use the midline cortical approach, which allows posterior lumbar fusion to be carried out in a minimally invasive, muscle-sparing way. Medacta's Midline Minimally Invasive Surgery (MIS) procedure provides high accuracy in screw positioning and robust posterior fixation through a minimally invasive, muscle sparing surgery. Short operating times, low per-case costs and a limited requirement for radiation exposure are further significant advantages of this technique.

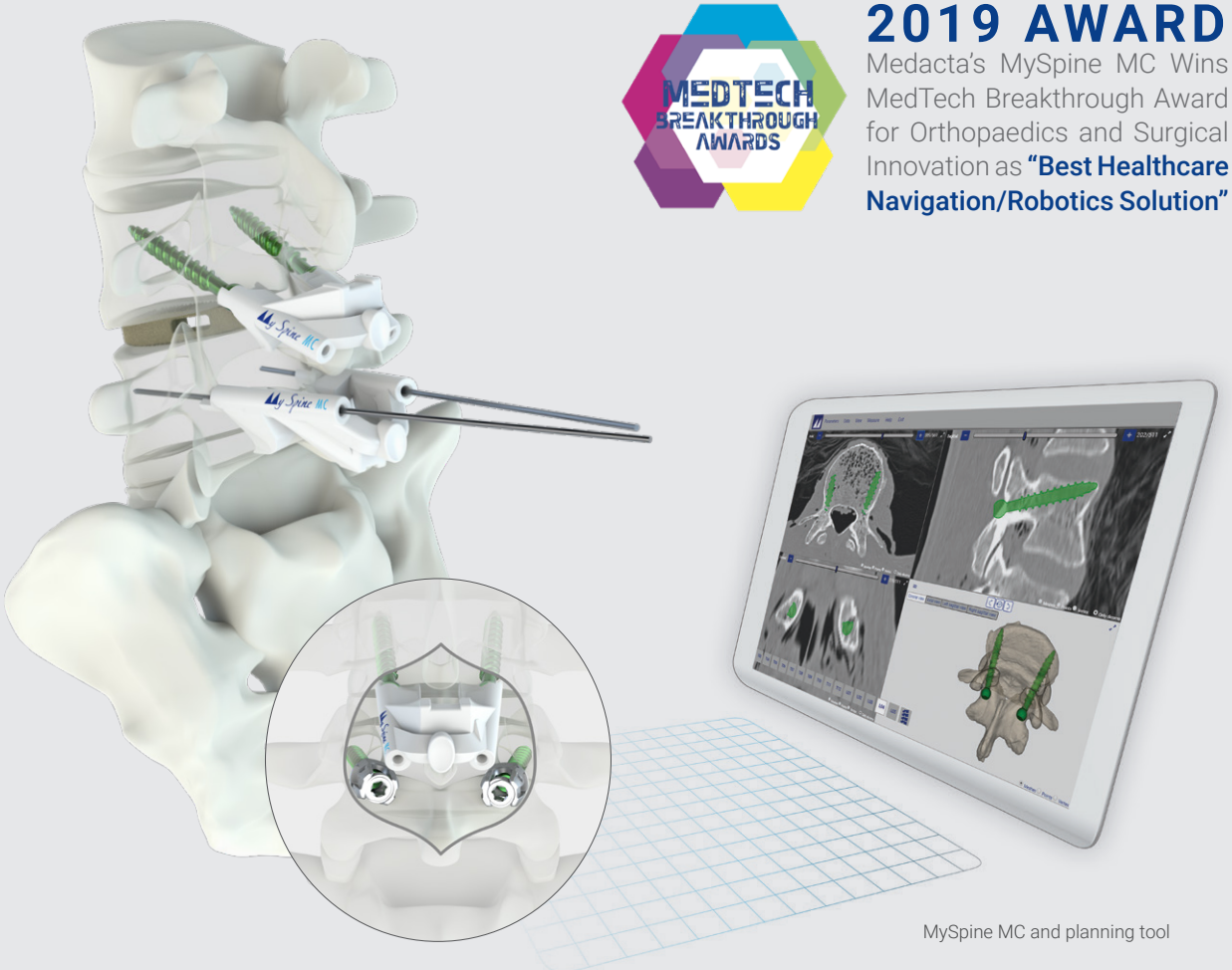
"We are honored to have MySpine MC recognized by MedTech Breakthrough as one of this year's most innovative medical technologies", said Francesco Siccardi, CEO of Medacta. *"MySpine MC combines Medacta's expertise in 3D planning tools with its industry-leading patient-matched guides to create a seamless, start-to-finish platform perfect for orthopaedic surgeons looking to enter the personalized spine surgery space in the outpatient or inpatient setting."*

MySpine MC was selected from more than 3'500 nominations MedTech Breakthrough received across its range of categories. The awards are focused on bringing public recognition to innovations disrupting the international health and medical industry.

MySpine® MC
PATIENT MATCHED TECHNOLOGY
IN SPINE SURGERY

MEDTECH BREAKTHROUGH AWARDS

2019 AWARD
Medacta's MySpine MC Wins MedTech Breakthrough Award for Orthopaedics and Surgical Innovation as **"Best Healthcare Navigation/Robotics Solution"**



MySpine MC and planning tool

4.4 SPORTSMED PRODUCTS AND TECHNOLOGIES

In our newly-developed Sportsmed business line, launched in 2016, our engineers are working to create specific and innovative products for the treatment of ligament, tendon and muscular injuries of the knee, hip and shoulder, supported by an international team of sports medicine surgeons. The aim of our Sportsmed business line is to design minimally invasive procedures in order to allow patients to return quickly to daily activities.

SPORTSMED PORTFOLIO

The Medacta Anatomic Ribbon Surgery (M-ARS) is an innovative surgical technique that we have developed to reconstruct the anterior cruciate ligament (ACL), supported by specific instruments and dedicated extra-articular implants. We launched M-ARS in 2017 as a surgical package that includes dedicated instruments and implants to reconstruct the ACL. It is designed to distribute forces in a more natural, anatomical way. Due to the high tendon-bone interface, it is intended to offer fast integration with little risk of necrosis of the graft and an advanced healing path.

In addition to our M-ARS offering, in 2019 we launched MectaScrew PEEK Interference Screws for cruciate ligament re-fixation. Furthermore, we launched MectaLock PEEK for shoulder and hip labral repair and we are planning to launch our first rotator cuff anchors (MectaLock TI and MectaTap) and MectaQTH instruments to facilitate quadriceps tendon graft harvesting.

In the U.S. we have launched our MectaFlip Intra Articular Hip Expander and are planning to introduce the FastShuttle Suture Passer to manage sutures in arthroscopic shoulder procedures.

MEDACTA ENTERS U.S. AND AUSTRALIAN SPORTS MEDICINE MARKET

Medacta's MectaLock PEEK Suture Anchor and MectaScrew PEEK Interference Screw received clearance from the U.S. Food and Drug Administration (FDA) and obtained the Australian Therapeutic Goods Administration (TGA) registration in July 2019.

"Medacta is known for developing personalized orthopaedic surgery solutions and providing a high level of support to the surgeons who adopt them", said Francesco Siccardi, CEO of Medacta. *"We look forward to applying our expertise to this new area, the next natural market for Medacta to enter following the success of our surgeon- and patient-friendly solutions across hip, knee, shoulder and spine"*.

The MectaLock PEEK Suture Anchor is an implantable device used for soft tissue re-fixation in acetabular labral repairs in the hip and glenoid labrum repairs in the shoulder. The portfolio is complete and comprehensive, to accommodate different patient anatomies and surgeon preferences.

The MectaScrew PEEK Interference Screw is indicated for reconstructive treatment of ruptured anterior and posterior cruciate ligaments with auto- and allografts.

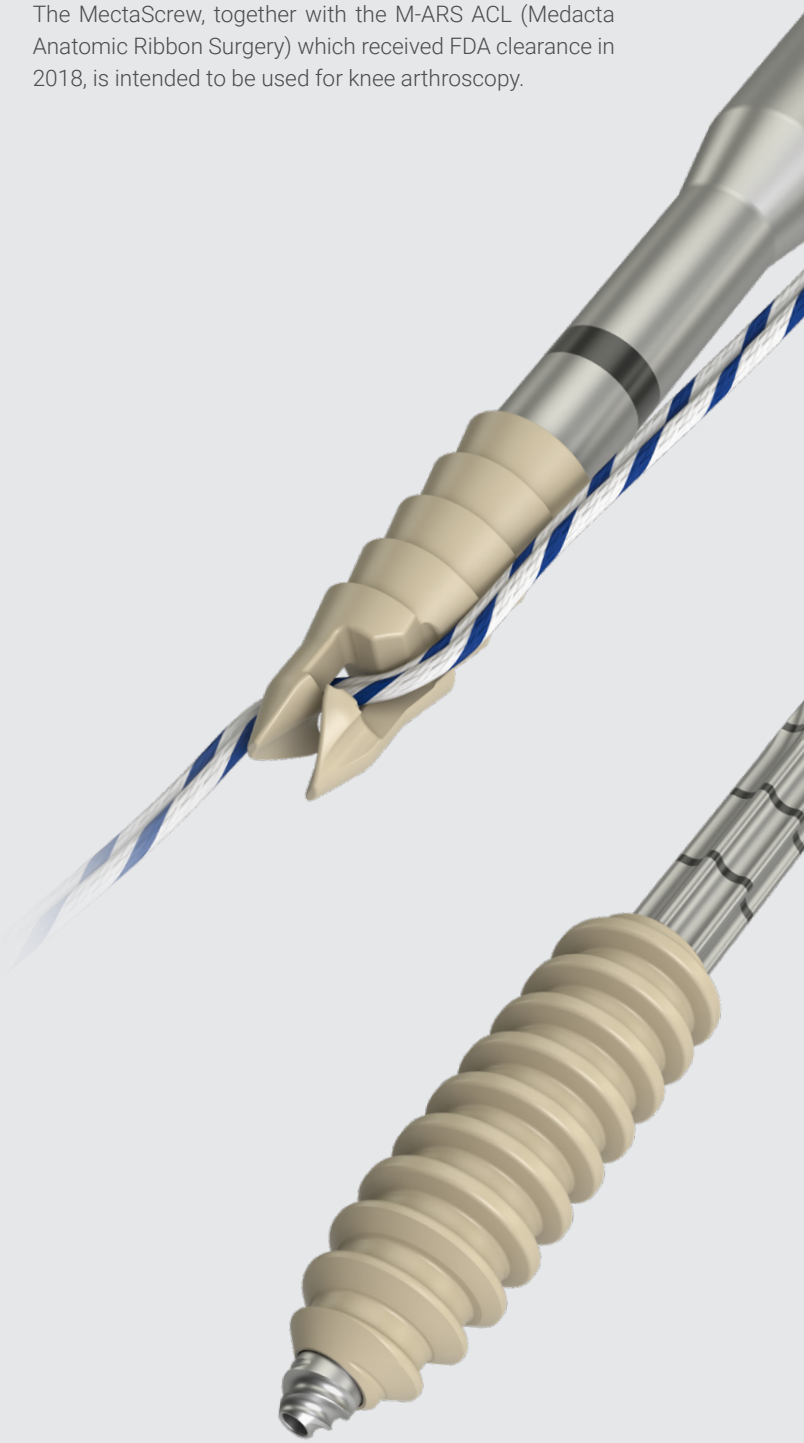
The MectaScrew, together with the M-ARS ACL (Medacta Anatomic Ribbon Surgery) which received FDA clearance in 2018, is intended to be used for knee arthroscopy.

MectaLock PEEK

J-LOCK PEEK SUTURE ANCHOR

MectaScrew PEEK

PEEK INTERFERENCE SCREW



Medacta's MectaLock PEEK Suture Anchor and MectaScrew PEEK Interference Screw

M.O.R.E.
INSTITUTE

The surgeon is never alone
when discovering new technologies