



2023 1H Results

Aug 29 2023

CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector



1H 2023 operational highlights

Expand to tackle challenges

- The sales of key products increased significantly, so did the market share and market position: infusion sets up by 33%, I.V. catheters and flush syringes by 29%, and prefilled syringes (non-COVID-19 vaccine) by 15%, significantly exceeding the industry average
- The volume of trauma, joint and spinal operations increased by 33%, 26% and 17%, respectively, exceeding the industry average

Sales channel integration accelerates customer penetration

- Continue to promote the integration of sales channels, focus marketing resources on the development and maintenance of core customers, improve the product penetration of KAs and improve the contribution of individual customers
- Over 600 new customers; In more than 1,700 original hospital customers, added new product coverage
- Continue to strengthen market coverage of county-level hospitals

New businesses

- Clinical care digital products implemented in a top Tier III hospital, and was well received by the customer. Products already sold to nearly 100 hospitals with high growth
- Completed acquisition of Zhejiang Quantum to expand to spine minimally invasive space
- Continue to explore into new territories for new growth drivers

Emergence of business synergies

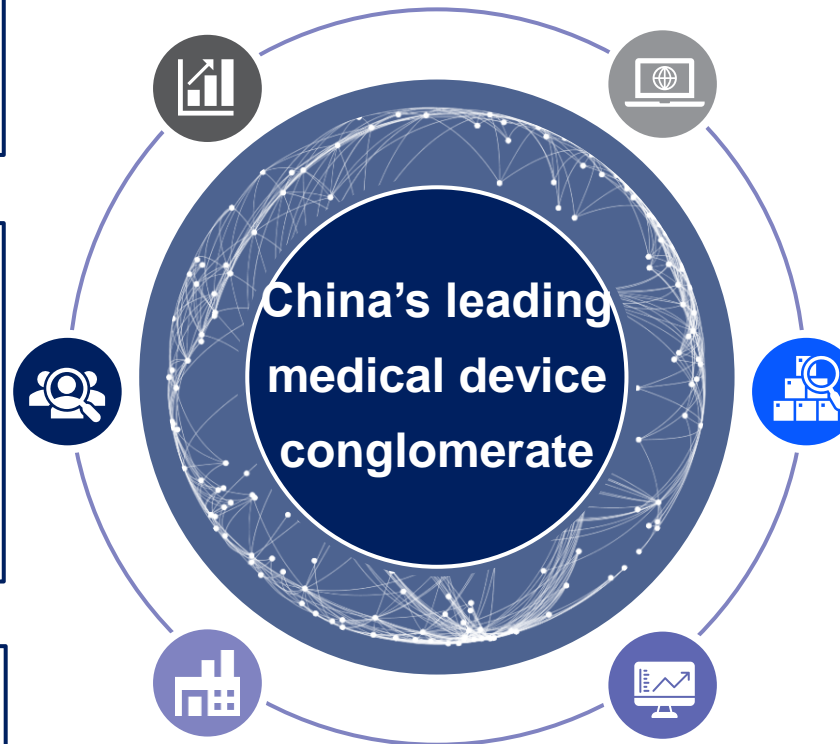
- Argon China, our interventional product segment was growing strongly with sales growth of 34% YoY in China and thus expanding contributions to Argon's global revenue
- Fully demonstrate Weigao's competitiveness in domestic sales channels, accelerate the release of sales synergies, and also reflect the great integration of operational capabilities since the acquisition

Fruitful R&D achievements

- R&D expenses reached RMB290m in the first half, representing yoy growth of 18.5% and accounting for 4.3% of revenue
- Acquired 75 new product certifications in 1H2023; Company now has 722 China product certificates and 771 overseas product certificates

Global development opportunities

- Continue to expand overseas: achieved 10.4% yoy growth in overseas sales. Even higher growth of more than 20% achieved in EU market
- Added 76 new overseas employees making the total to 1,334 now, accounting for 11% of the total staff number





Review of business operation in 1H 2023





Review of business segments



Consumables

- ❖ Sales of major products increased significantly: infusion sets increased by 33%, indwelling needles increased by 29%, and syringes increased by 19%. However, due to the successive implementation of VBP in various regions, product prices have decreased, affecting product revenue and profit growth.
- ❖ Continue to improve product portfolio and expand new business segments, including anesthesia and respiration, urology, endocrinology, endoscopy, rehabilitation, digital products, etc.

23 1H revenue
yoy growth%

+9.9%²

As % of
revenue

51.7%

As % of
segment profit ¹

51.0%



Orthopedic products

- ❖ With volume-based procurement, lowered ex-factory prices to seize market share, and increased end market coverage
- ❖ Continue to promote the transformation of the sales model; the end customer service capability has been significantly improved, and the customer coverage has continued to expand. At present, it has covered more than 4,500 customers
- ❖ Acquired Zhejiang Quantum, further expanded to the field of minimally invasive spine surgery, and laid out new profit growth points

-33.5%

11.6%

7.9%



Pharma packaging

- ❖ Sales of flushing syringes increased by 29%; sales of prefilled syringes increased by 15% yoy after deducting COVID-19 related revenues²;
- ❖ The market position continues to be strengthened with improved product portfolio including the commercialization of automatic injection pens. The ability to serve downstream pharmaceutical companies is strengthened

+0.5%

15.4%

32.5%



Interventional products

- ❖ The revenue of Argon increased by 20.6% yoy. In particular, Argon China maintained a growth rate of 34%, and the contribution of the Chinese market further increased to 19%; Stabilized US market position, and at the same time vigorously developed the European market, which increased by 30% yoy.
- ❖ To create a more stable and risk-resistant global supply chain, the Chinese factory was officially put into production, and product production licenses were successively approved

+20.6%

13.7%

3.5%



Blood management

- ❖ Continued business expansion: The whole blood collection-based business has been expanded to blood apheresis and cell therapy consumables involving platelet apheresis, plasma apheresis, cell processing, autologous blood transfusion and other product series. To expand the customers mainly from blood banks and clinical blood transfusion to apheresis stations and cell therapy biological companies

+6.9%

7.6%

5.0%



Sustainable green development



- **Environment management:** stay committed to the principles of green development. With a robust and comprehensive environmental management system in place, WEGO adheres strictly to all relevant environmental protection laws and regulations in the areas where the company operates
- **Energy conservation and low-carbon practices:** actively support the global initiatives to combat climate change. **Starting from October 2022, WEGO strategically entered the hospital energy management business. The goal is to help institutions implement an intelligent energy system to save energy consumption and reduce CO2 emission. In doing so, WEGO is expected to also create new business growth opportunities**
- **Resource and emissions management:** starting from the origin to optimize resource utilization and reduce pollution emissions. WEGO invests in environmental technology to improve production processes and set annual targets for resource utilization and emissions reduction

Social and community investment



- **Corporate social responsibility:** take concrete actions to give back to society through various charitable donations and social welfare activities. WEGO has contributions in supporting local education and medical research, helping to cultivate talented professionals in these fields
- **Employee development:** WEGO is committed to creating a non-discriminatory, equal, harmonious, and safe working environment for all employees
- **Opportunities for people in need:** **WEGO's subsidiary Jierui is the largest social welfare enterprise in Shandong province, providing employment for nearly a thousand individuals with disabilities and helping them bond with society**

Responsible business operation



- **Improve governance:** strictly adheres to the Governance Principles for Listed Companies in Appendix 14 of the Listing Rules
- **Build sustainable supply chain:** seeks partners who share WEGO's high standards of business ethics. By strengthening the supplier management practices, WEGO works together with the partners to promote mutual growth
- **Anti-corruption:** WEGO's zero-tolerance policy towards corruption, bribery and extortion reinforces the commitment to uphold its business ethics. All employees are required to sign the "WEGO's Ten Commitments" to demonstrate their dedication to anti-corruption and promoting integrity



Picture: Lake landscape formed from industrial wastewater after waste processing

Key competitiveness to maintain industry leadership

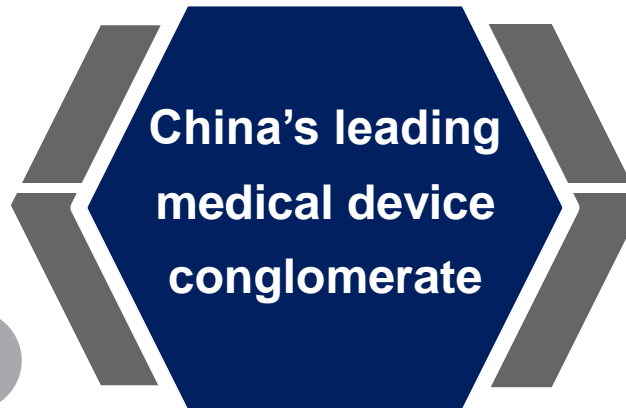


Corporate culture, reputation and impact

- Always follow the corporate culture of conscience, integrity and loyalty to meet clinical needs
- There is strong demand in the market for our products. The implementation of volume-based procurement has facilitated the efficiency improvement along the industry chain of medical equipment and consumables, which is greatly beneficial for the Company in boosting market share

Solid Manufacturing Foundation

- Notable advantage in automation, material science, cost control, capacity, quality control, etc., and eligible for volume-based procurement in terms or requirement on both price and quality
- Continue to enhance the digital development in manufacturing, and actively strengthen foothold in new materials and technologies to maintain and enhance the competitiveness of manufacturing



Open and inclusive platform

- Promote the synergy and resource sharing between segments, stimulating flexibility and vitality of each sector to the fullest
- Actively cultivate and develop new business segments, which may become new growth drivers

Customer and distribution channel resources

- Create an outstanding marketing system adaptive to domestic market, improving channel advantages through continuous channel integration
- Continue to diversify product portfolio through R&D, cooperation with global parties, M&A, and aim to fully utilize the channel advantages

Company strategy



In response to the policy changes, competition landscape, clinical demands and the accumulation of resources, WEGO proposed the three operational strategies – “platform-based”, “international” and “digital” development, and two guarantee strategies – “talents” and “innovation”



Platform-based development – unleash the advantages of an open, inclusive, and collaborative platform

- Build a diverse product ecosystem and an efficient collaborative organizational structure, achieving greater economies of scale
- Deliver comprehensive product solutions that exceed customer expectations and expand product lines while perfecting each product to its finest



International development – maintain WEGO's leading position domestically and achieve collaborative development across the borders

- Through strategic investment and licensing-ins, we bring high-end medical devices and cutting-edge technologies to China
- Explore overseas opportunities actively. WEGO hopes to move from being a Chinese exporter to becoming a multinational corporation. The Company's goal is to achieve a globalization rate of over 50% in the next 10 years



Digital development – improve management capability to new heights with the digital strategy and explore new opportunities for growth

- Continue to improve digital management capabilities, enhance our edge in production, R&D, and marketing operations
- Expand the digital product portfolio, such as Mobile Nursery Management Software, and explore new growth opportunities



Talents – establish a talent incentivization framework

- Attract and cultivate top-tier talents, build a comprehensive talent incentive framework to engage and inspire our employees, to unleash their creativity



Innovation – boost innovation capabilities and achieve sustainable growth

- Iteration of existing products: to improve functionality, utilize new materials, and lower production costs
- New products: Established R&D centers in Shanghai and Suzhou, recruiting R&D talents, focusing on tackling key technological challenges and developing major breakthrough products
- Via fund investment, to stay ahead of industry trends and invest for the future

Key strategic initiatives

- Systematic construction of platform-based operation foundation and capabilities and platform-based cornerstone structure
- Improve the role of organization and operations in supporting strategy implementation
- Strengthen the coordination of various business segments to better cultivate new business growth points

Platform-based development —— sales platform integration



- ❖ Continue to promote sales channel integration, and redirect marketing resources on core customer development and retention. The Company has seen increasing penetration rate among the key clients (especially the tertiary hospitals)
- ❖ Continue to expand into new markets and seize the enormous potential brought by VBP. WEGO rapidly increased the customer outreach to include more county-level hospitals and established more city-level satellite offices, demonstrating the unwavering commitment to providing exceptional customer services to hospitals at all levels



Number of customers (as of 31 Jun 2023)

	New customers	Total number of domestic customers	Total number of overseas customers
Hospital	177	3,778	3,486
Blood stations	5	419	-
Other medical units	50	1,169	1,642
Distributors	400	4,369	2,139
Total	632	9,735	7,276

Implementing our strategies to achieve new milestones



In the first half of 2023, the company actively implemented the business strategies of “Platformization”, “Internationalization” and “Digitalization” and stuck to our focus on “Talent” and “Innovation”, and achieved made major breakthroughs in new business initiatives



Digital clinical care products

- In the first half of 2023, our digital clinical care products expanded the coverage to **35 new hospitals**, of which one new top-tier class IIIA hospital
- has successfully provided digital clinical care services for **nearly 100** Class III hospitals
- Digital clinical care products can promote the sales of clinical care consumables and achieve synergies



Life science information and support solutions

- In the first half of the year, it achieved rapid growth, with sales of 1,323 health monitors, 5,060 infusion pumps, and 180 ventilators, respectively. By the end of June, there were **970** customers with health monitors, infusion pumps and ventilators installed, of which **189** were newly installed in the first half of 2023
- Based on existing products, our products have gradually expanded to life-support ultrasound devices and anesthesia target control pumps
- The sales and after-sales supporting team has now covered all provinces in China



Endocrinology

- In the first half of 2023, we sold our products to 113 new distributors and hospital customers, with an increase of **35% y-o-y**, and the sales volume increased by **30% y-o-y**
- Mainly focus on integrated information chronic disease management system inside and outside hospitals
- Our OTC products has covered **35** large and medium-sized pharmacy chains, reaching more than **7,000 pharmacies**

Development strategy



Development strategy

Benefited from the continuous expansion of global healthcare industry, WEGO plans to boost future development by establishing a platform company and providing systematic solutions.

Strategic acquisition

- Replicating the success of Argon and Rad Source by strategically explore acquisition opportunities to broaden our product portfolio and global market coverage and further increase our scale

Direct marketing channels

- Establishing direct sales channels for select product lines in order to provide Weigao with greater pricing power and in turn, higher margins

Product cooperation

- Partnering with key customers to
- design bespoke products to better suit client needs

Product diversification and upgrading

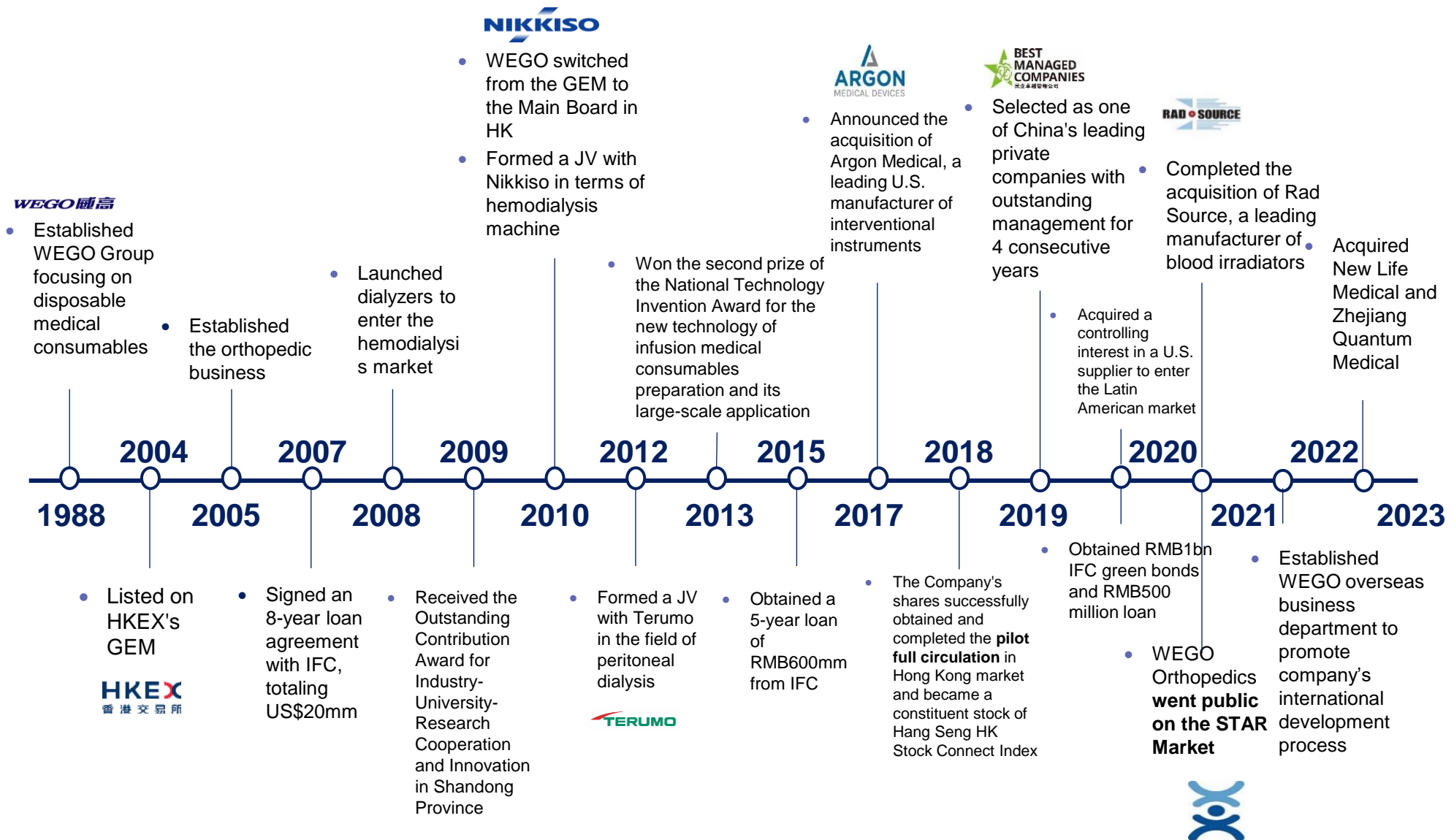
- Focus future developments on higher technology and higher margin products where barriers to entry are greater
- Continuing to diversify our product mix to better combat the evolving market

Import substitution

- Tapping into the high-tech markets
- Importing cutting edge technology to meet the growing demands of Chinese consumers



20th anniversary since Weigao HK IPO





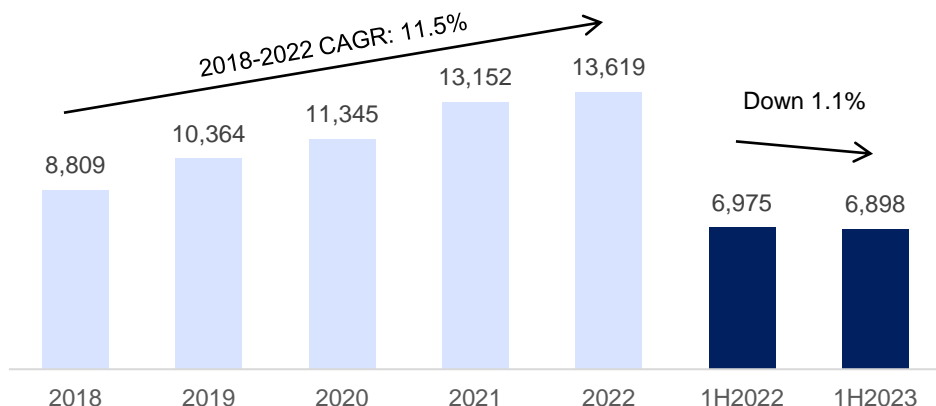
1H 2023 financial performances

Key financials

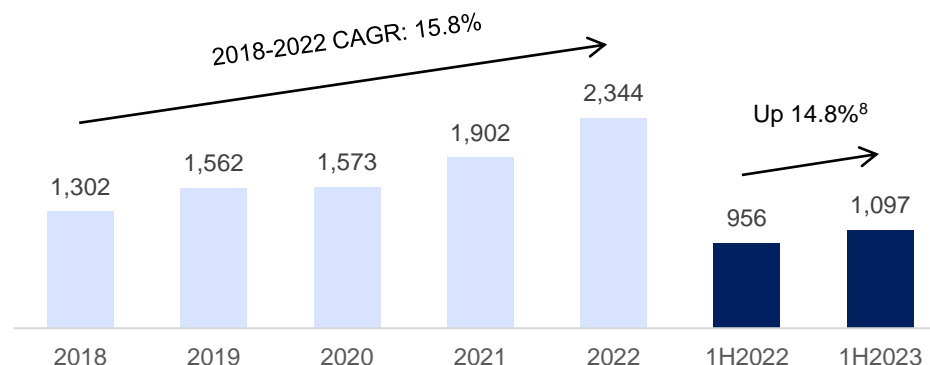


Revenue³(RMBmn)

Growth rate (%)

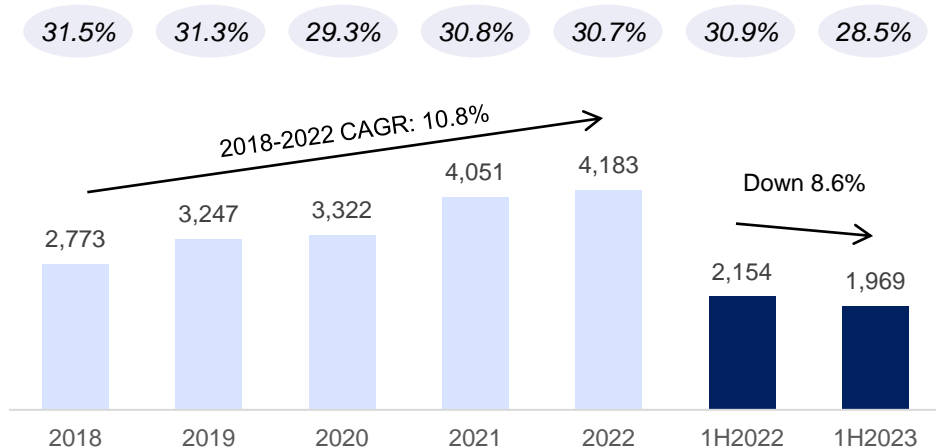


Net profit to parent shareholder(ex. Ortho) ^{1,2,3,5,6,7,8} (RMBmn)



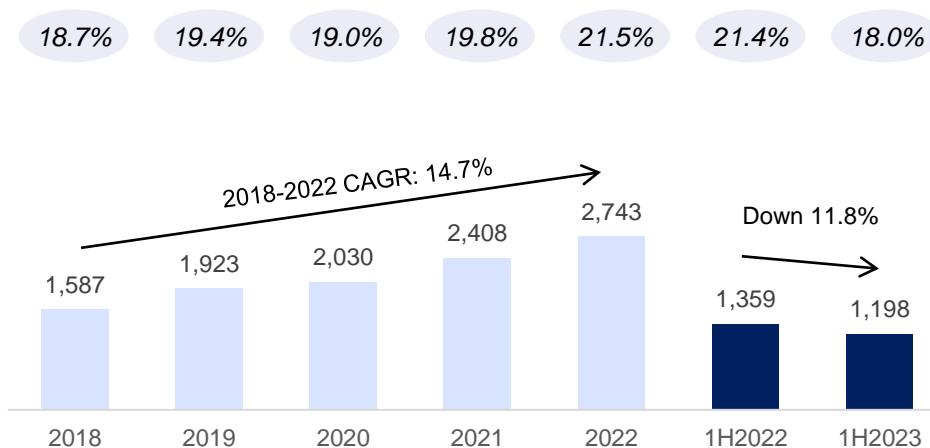
EBITDA^{1,2,3,5} (RMBmn)

EBITDA利润率(%)



Net profit to parent shareholder ^{1,2,3,5,6} (RMBmn)

净利率 (%)



Notes: ¹ After deduction of special items such as inventory appreciation due to the acquisition of Argon Medical in 2018 and the one-time transaction fee of the acquisition; ² After deduction of special item of the one-time debt replacement fee of Argon Medical in 2019; ³ Not including the impact of accounting restatement of business under the same control in 2019, 2020, 2021, 2022 and 2022 1H; ⁴ Operating profit refers to the total pre-tax profit of each segment; ⁵ After deduction of accrual litigation expense in 2021 as well as the deduction of dilution of Group's interest in WEGO Blood Purification, after-tax income recorded from land and housing recycled by government and after-tax expense for product liability claims in 2022; ⁶ After deducting special items; ⁷ Calculated by deducting Weigao Ortho's net profit to shareholders from Weigao's; ⁸ Weigao's stake in Weigao Ortho based on year end shareholding; ⁸ Deducting impact from COVID related profits.

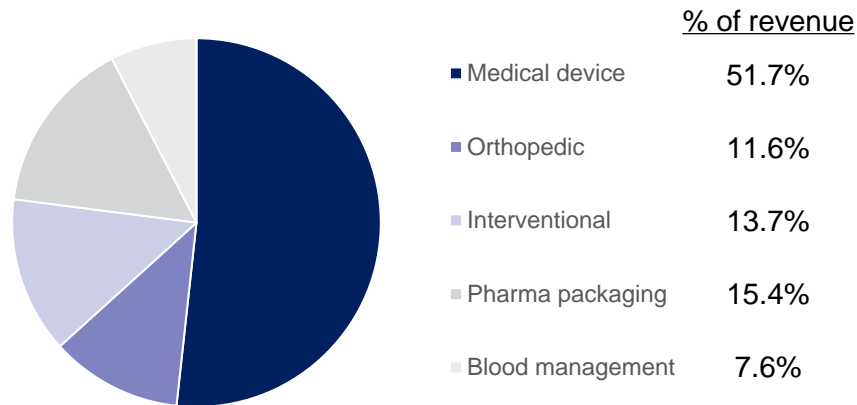
The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The specific figures are subject to performance reports.

Revenue and profit breakdown (by business segment)



Revenue breakdown

2023 1H

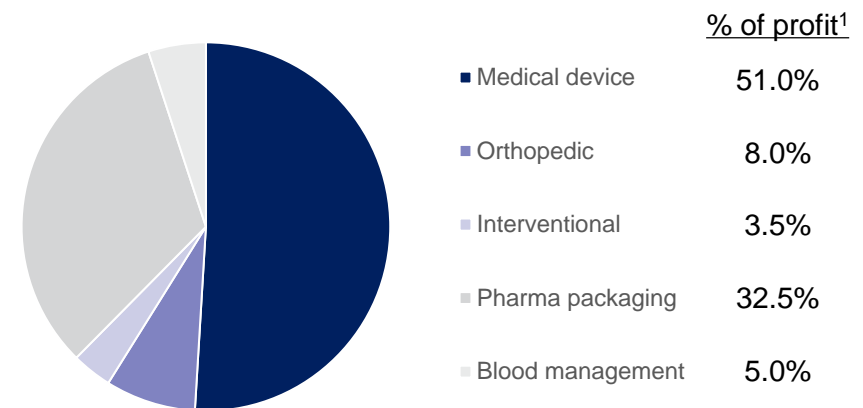


Revenue by business segment (RMBmm)

	1H 2023	1H 2022 ³
Medical device product	3,569	3,549
Orthopedic products	797	1,199
Interventional products	948	786
Pharma packaging products	1,061	1,056
Blood management	523	489
Total	6,898	7,079

Segment profit breakdown

2023 1H



Profit by business segment (RMBmm)

	1H 2023	2022
Medical device product	660	623
Orthopedic products	103	491
Interventional products	45	89
Pharma packaging products	422	452
Blood management	65	97
Total	1,295²	1,752²

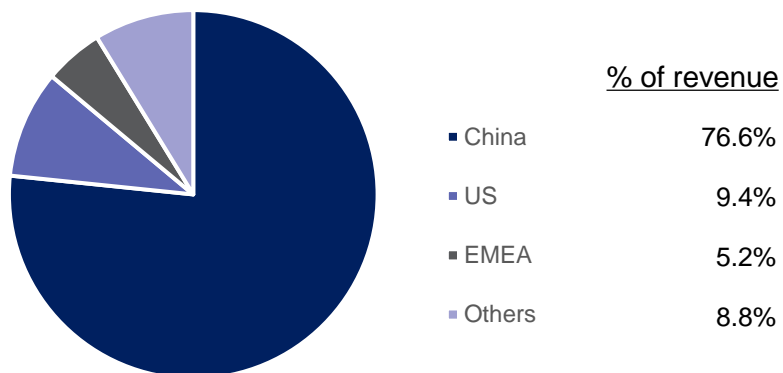


Geographic presence of the business

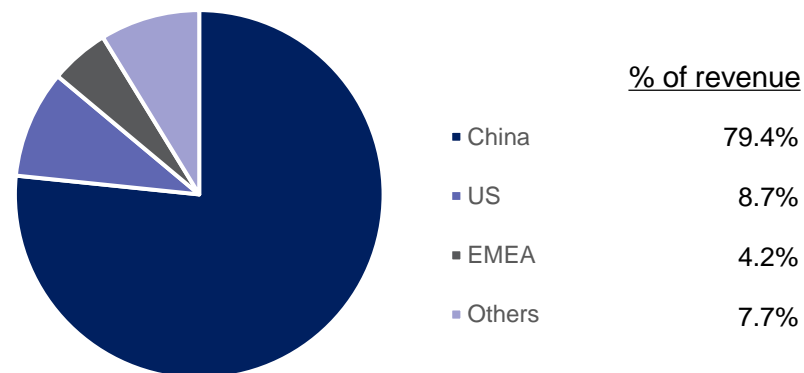
Geographic presence

Sales from overseas operations was RMB1,610mm, accounting for 23% of revenue

2023 1H



2022 1H



Revenue by category (RMBmm)

	2023 1H	2022 1H ¹	y-o-y growth (%)
China	5,286	5,619	-5.9%
US	652	613	6.4%
EMEA	356	300	18.8%
Others	604	547	10.4%
Total	6,898	7,079	-2.6%

Note: ¹ Including the impact of accounting restatement of business under the same control in 1H 2022

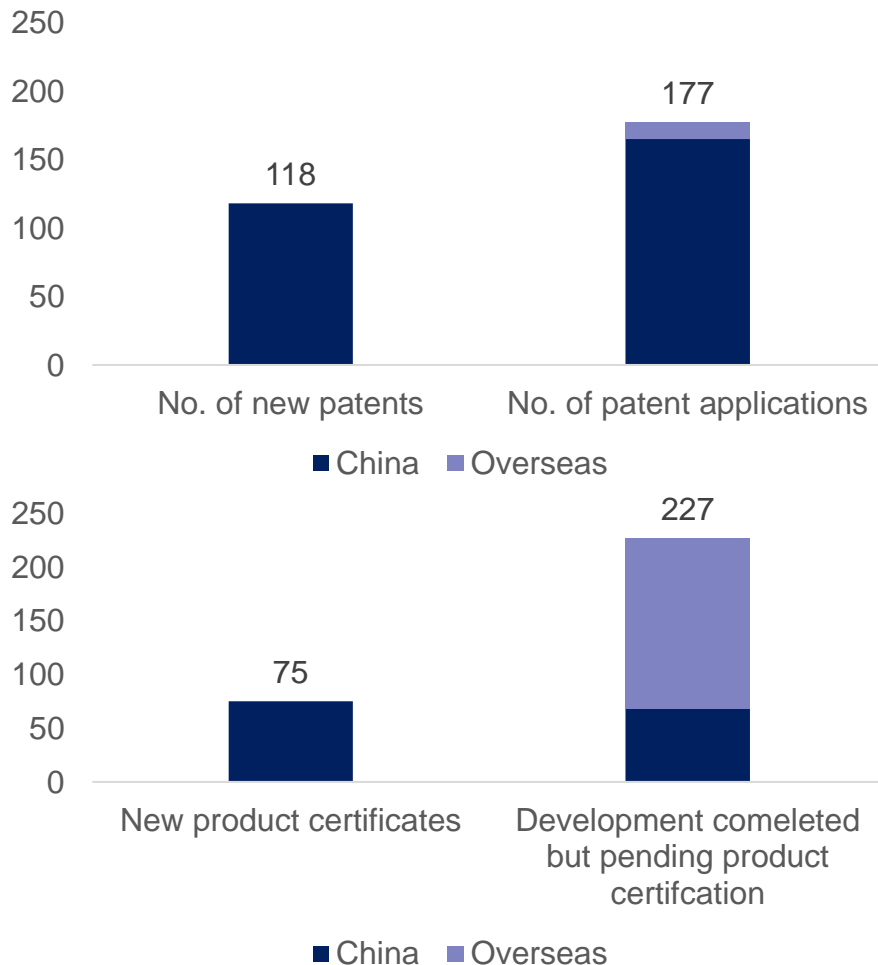
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Innovation strategy – Supporting platform strategy to expand product lines

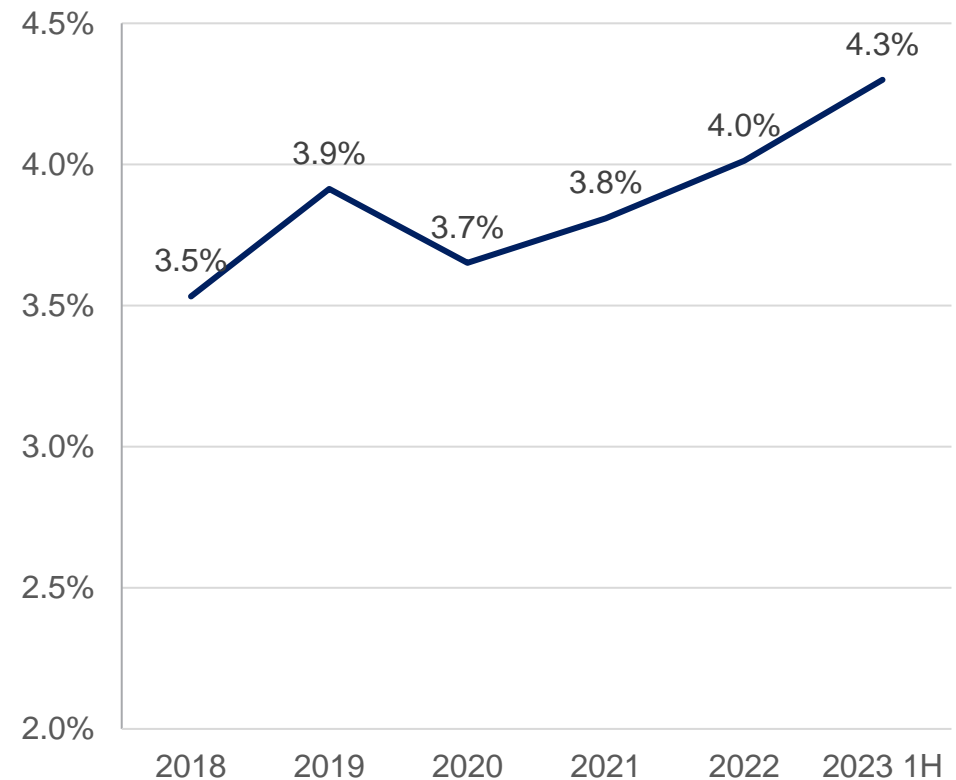


- The business strategy of focusing on research and development has enhanced the company's core competitiveness, consolidated the product foundation for making full use of customer resources, and provided a new growth point for the group's continued profitability

Patent and new product registration as of Jun 30, 2023 (#)



R&D expense as % of revenue¹





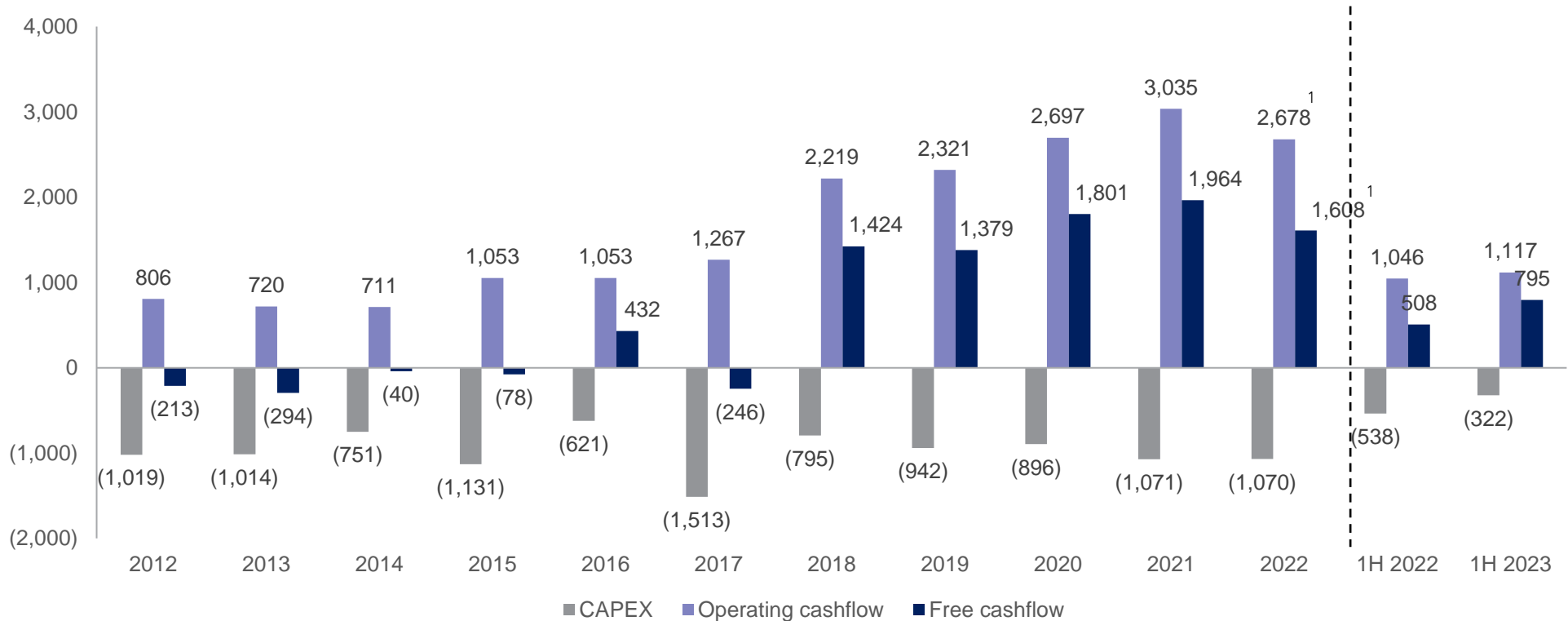
Cashflow and CAPEX

Cashflow and CAPEX

As COVID restrictive control eases, there has been a recovery in hospital visits and operations. Operating cashflow and free cashflow increased significantly in the first half of 2023 compared to the same period last year

As operating cashflow has grown and CAPEX has stabilized, Company has recorded positive free cashflow for 5 consecutive years since 2018

Cashflow and CAPEX (RMBmn)



Note: ¹ After deduction of one-time cash outflow 460 RMBmm for product litigation in 2022; ² Not including the impact of accounting restatement of business under the same control during 2012-2022.

The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The specific figures are subject to performance reports.



Other financial data

Other financial data

		2023 1H	FY2022 ³
Working capital	Inventory turnover in days ¹	118	113
	Account receivable turnover in days ¹	162	138
	Account payable turnover in days ¹	81	76
Cash and debt	Cash and bank balances (RMBbn)	6.56	6.86
	Total debt (RMBbn)	4.34	4.49
	Net cash (Net debt) (RMBbn)	2.21	2.37
Leverage analysis	Total debt/EBITDA (x)	1.1x	1.1x
	Net debt/EBITDA (x)	Net cash	Net cash
	Interest coverage ratio ² (x)	14.2x	21.9x
Current ratio and return analysis	Current ratio	2.8x	3.0x
	ROE ⁴	11.8%	13.4%
	ROA ⁴	7.5%	9.2%

Note: ¹ Average working capital days; ² Interest coverage ratio = EBITDA/financing costs; ³ Not including the impact of accounting restatement of business under the same control in 2022; ⁴ After deduction of dilution of Group's interest in WEGO Blood Purification, after-tax income recorded from land and housing recycled by government and after-tax expense for product liability claims in 2022. Earnings used for return analysis for 1H23 have been annualised

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