



Investor Presentation

2022 Interim Results
Announcement

August 2022

CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector

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Business Highlights





Key business updates of 1H2022

Continued growth during the pandemic

- Despite the impact of the epidemic, the Company still achieved notable growth
- In the first half of the year, revenue was RMB6,975 million, marking a y-o-y growth of 12.0%; net profit attributable to the parent was RMB1,459 million, marking a y-o-y growth of 20.6%

Embracing VBP

- Seizing emerging the opportunities of national and regional VBP, the Company developed new hospital customers, expanded its market, boosted sales, and increased its market share
- Tapped into the cross-selling and up-selling potential of existing customers to offset the impact of revenue reduction on sales from volume-based procurement

Margin improvements

- Affected by the price reduction from volume-based procurement and changes in product mix, the gross profit margin decreased
- Improved operating margins through cutting cost and optimization of selling and administration expenses
- Strengthened abilities to withstand risks

Continued improvement of product portfolio

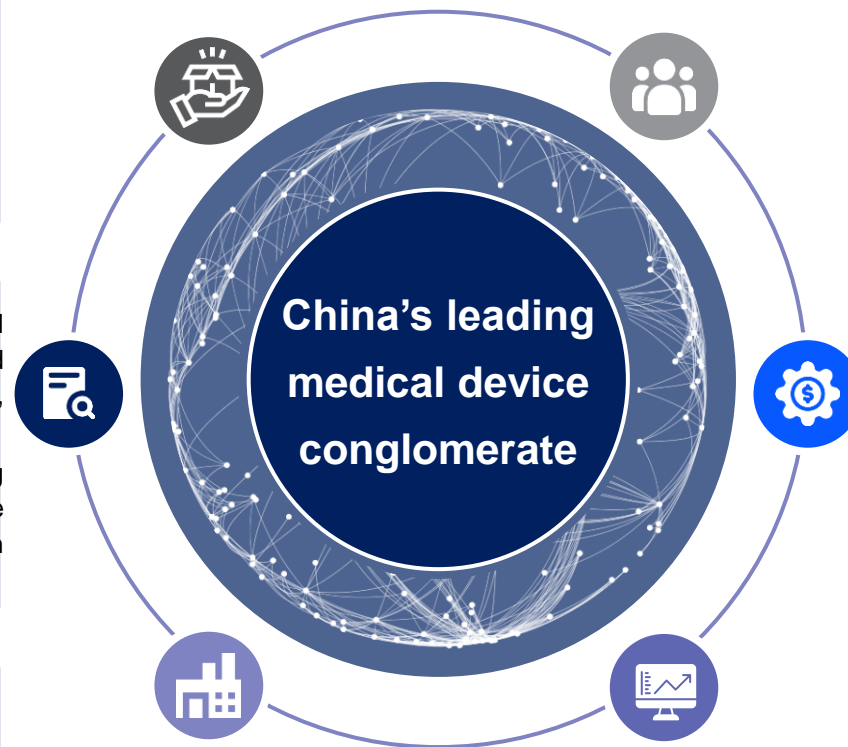
- Continued to expand R&D efforts. In 1H 2022, the Company obtained 55 new patents in China, had 162 patents under application, and received 30 new product registration certificates
- Continued to optimize the product portfolio through acquisition, cooperation with external parties, and active expansion into new business portfolio

Global footprint

- Established overseas business department based on overseas portfolio to better allocate global resources to organize R&D, production, sales and customer service
- Strategically screened and planned global development opportunities, and explore overseas markets through production, marketing, branding, distribution, capital markets, etc.

Digitalization strategy

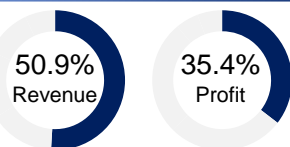
- Established a digital transformation office to continuously promote the Company's digitalization strategy
- Operational level: Digitally upgrade the manufacturing industry, reduce production costs, and improve operational efficiency
- Customer service: Medical information solutions



Business sector update



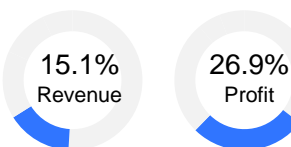
Medical Device



- ❖ Achieved 19.0% y-o-y segment revenue growth in the first half of the year
- ❖ Volume-based procurement of various products in various provinces is actively advancing, the Company is seizing opportunities to rapidly increase sales
- ❖ Accelerated the progress of R&D, obtained 8 new Class III registration certificates, and continued to enrich the product portfolio



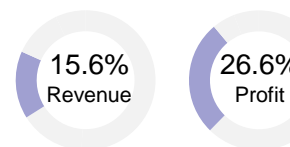
Pharma Packaging



- ❖ Prefilled syringe revenue grew more than 20%. Industry influence is further enhanced
- ❖ International logistics complex led to delays in equipment production, but capacity expansion plans remained unaffected as a whole
- ❖ Sales teams follow up and serve over 90% innovative injection projects in China, capturing the biotech industry opportunity



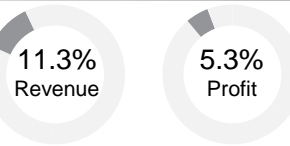
Orthopedic Product



- ❖ The volume-based procurement of joint products has been carried out successively nationwide with sales growing rapidly
- ❖ Seized the opportunity of volume-based procurement in China, quickly filled in the white space in the hospital market, seized market share, further consolidated the market position in spine segment, and enhanced the all-round market competitiveness of joints, trauma, sports medicine and regenerative medicine



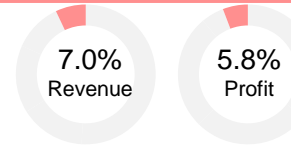
Interventional Product



- ❖ Impacted by the supply chain issue, the delivery of some orders of Argon has been delayed, affecting the growth rate, but the situation has gradually recovered
- ❖ Through management improvement and cost optimization, segment profit margin continued to increase
- ❖ Although Argon China's business was affected by the COVID pandemic in Shanghai, it still grew rapidly. By continuous internal resource sharing, its market share in China increased



Blood Management



- ❖ Through external cooperation and internal R&D, the Company continued to improve the product portfolio in the field of blood collection equipment and consumables
- ❖ Expanded the application scenarios of blood irradiators and promoted the application of the scientific research market
- ❖ Sorted out and strategically planned development opportunities in the blood product supply chain, cell therapy and stem cell fields



Blood Purification

(Not consolidated)

- ❖ In the first half of the year, Weigao Blood Purification completed a pre-IPO financing of nearly RMB1.5bn, led by well-known investors by way of capital injection and equity transfer
- ❖ Submitted a prospectus on the Hong Kong Stock Exchange in June this year

Core competitiveness



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. 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 us 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 of requirement on both price and quality
- Continue to enhance the digitalization 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 sectors, stimulating the 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. To improve 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

Nationwide advantageous sales and marketing channels



Distribution network in China

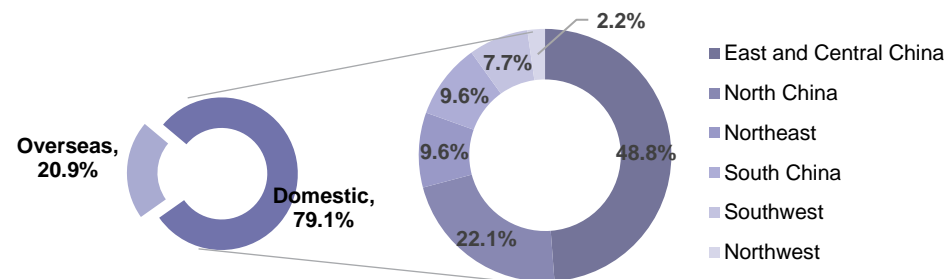
Weigao has established an extensive sales network in China, consisting of 35 sales branches, 48 customer service centers, and 2,955 sales representatives in 226 cities across the country.



Weigao's customers (as of June 30, 2022)

	New customers	Total number of domestic customers	Total number of overseas customers
Hospitals	388	3,503	3,430
Blood stations	-	414	-
Other medical units	8	1,109	1,606
Distributors	217	3,569	1,917
Total	613	8,595	6,953

In 1H 2022, revenue from domestic market takes up 79.1% of total revenue, of which East and Central China takes up nearly 50%



Strategic global footprint



Global resources empowered by China's growth, building up a Weigao business

Weigao's overseas development has gone through two stages of product trade and industrial planning, and the next step will be to enter the stage of global production and service. In June 2022, based on the original overseas planning, the Company established a new overseas business department, which will make better use of global resources to organize R&D, production, sales and services. Weigao will strategically sort out and deploy global medical device industry development opportunities and explore overseas markets in an all-round way from the perspectives of production, market, brand, channel, and capital

The goal of global layout:

1. Overseas sales target: To complete the global layout, and increase overseas sales to half of the Company's sales in 10 years
2. Chinese market target: To introduce overseas device products into the Chinese market and further improve product portfolio through strategic investment and licensing in





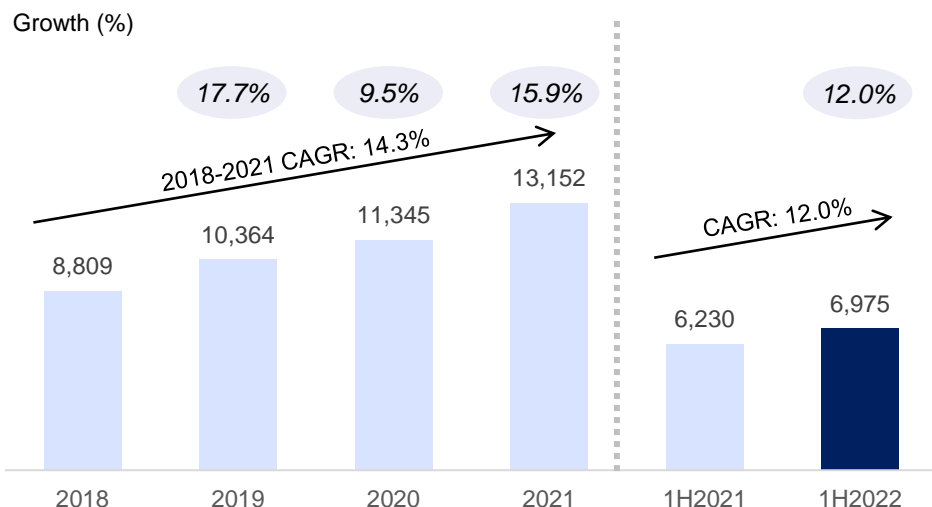
1H22 Financial Performance



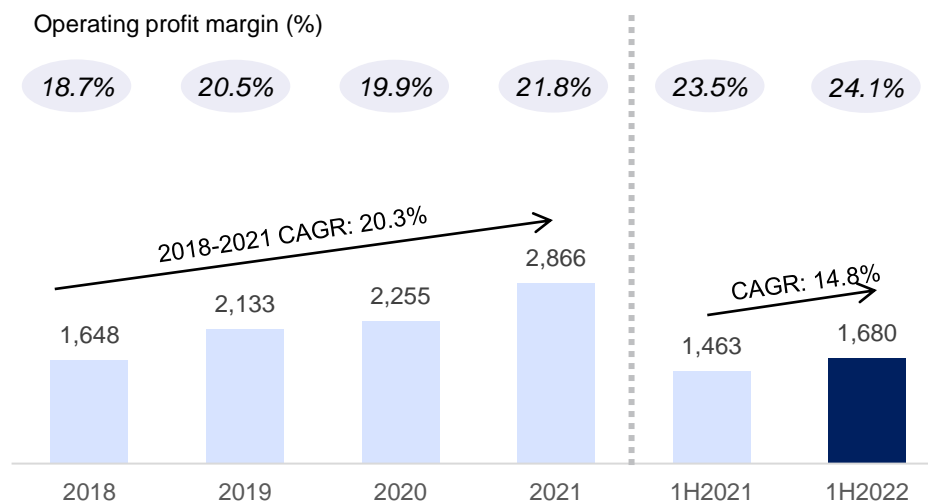
Key financials



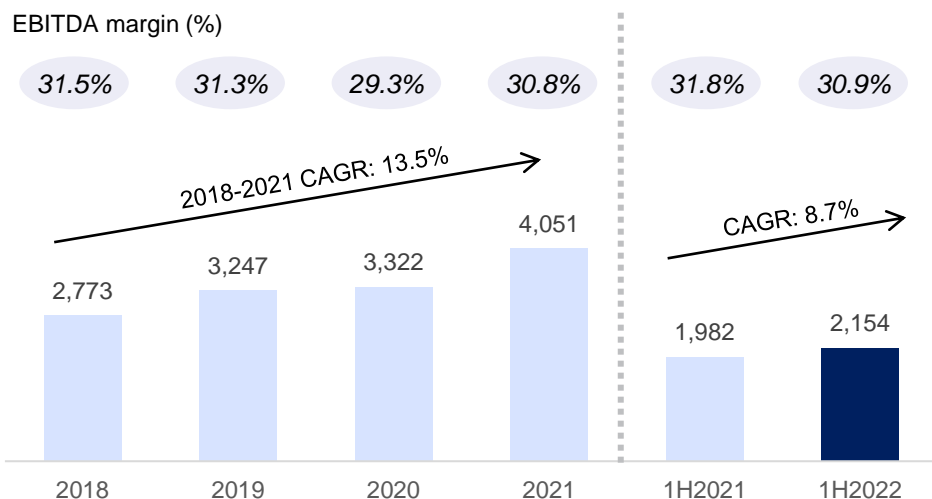
Revenue ³ (RMBmm)



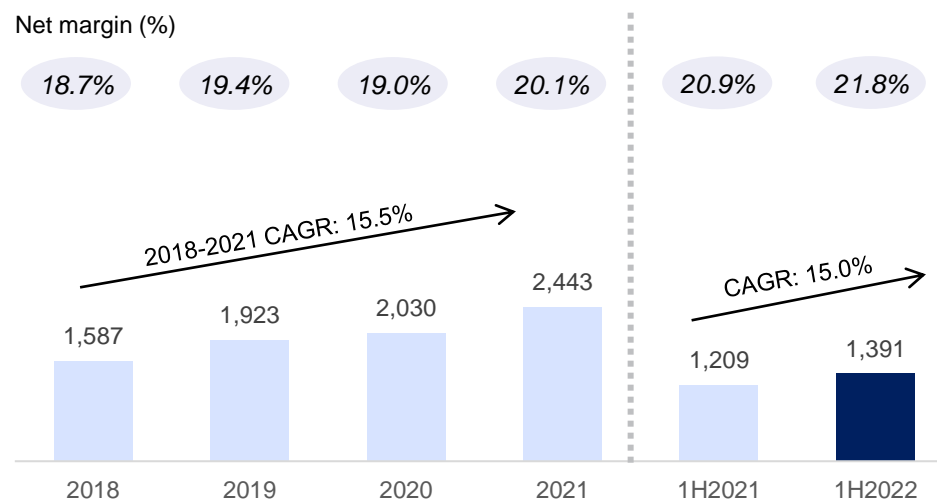
Operating profit ^{1,3,5} (RMBmm)



EBITDA ^{1,2,3,4} (RMBmm)



Net profit attributable to Company's shareholders ^{1,2,3,4} (RMBmm)



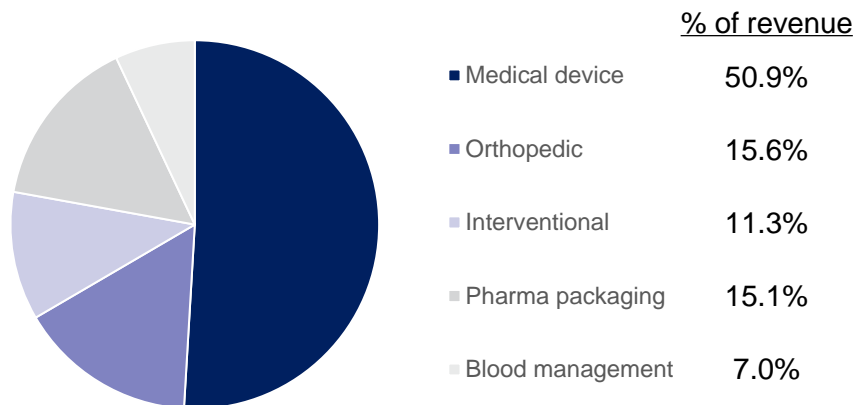
Notes: ¹ After deduction of special items such as inventory appreciation due to the acquisition of Argon Medical in 2018 and the one-time transaction fee of the acquisition; ² After deduction of special item of the one-time debt replacement fee of Argon Medical in 2019; ³ Not including the impact of accounting restatement of business under the same control in 2019 and 2020; ⁵ Operating profit refers to the total pre-tax profit of each segment
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)



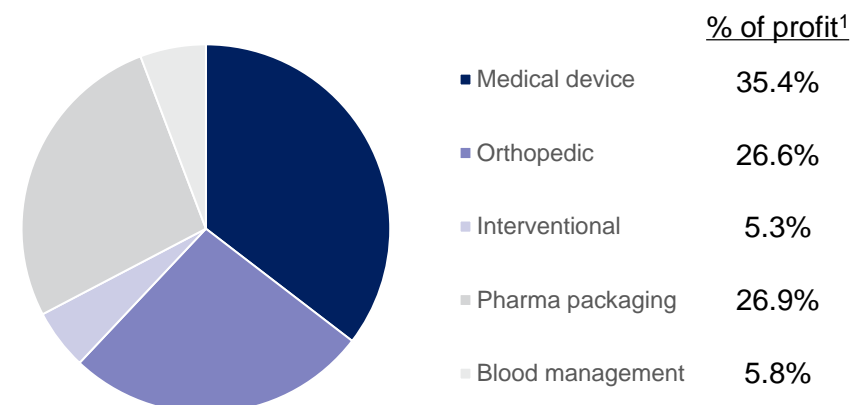
Revenue breakdown

1H2022



Profit breakdown

1H2022



Revenue by product category (RMBmm)

	1H2022	1H2021	YoY growth (%)		1H2022	1H2021	YoY growth (%)
Medical device product	3,553	2,985	19.0%	Profit by product category (RMBmm)	595	509	16.9%
Orthopedic products	1,091	1,084	0.6%		447	432	3.4%
Interventional products	786	753	4.4%		89	74	21.0%
Pharma packaging products	1,056	958	10.3%		452	356	26.8%
Blood management	489	450	8.8%		97	92	5.0%
Total	6,975	6,230	12.0%		1,710²	1,489²	14.9%

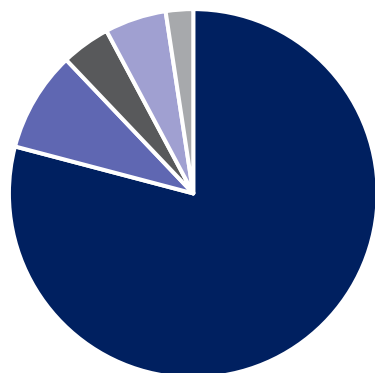


Geographic presence of the business

Geographic presence

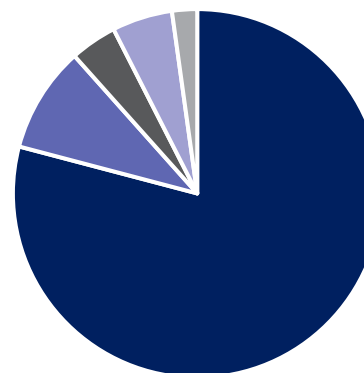
Sales from overseas operations was RMB1,460mm, accounting for 21% of revenue

1H2022



	% of revenue
China	79.1%
US	8.8%
EMEA	4.3%
Asia	5.4%
Others	2.4%

1H2021



	% of revenue
China	79.1%
US	9.3%
EMEA	4.1%
Asia	5.3%
Others	2.2%

	Revenue by category (RMBmm)			Revenue share (%)	
	1H2022	1H2021	YoY growth (%)	1H2022	1H2021
China	5,515	4,928	12.0%	79.1%	79.1%
US	613	577	6.1%	8.8%	9.3%
EMEA	300	258	16.1%	4.3%	4.1%
Asia	376	330	13.8%	5.4%	5.3%
Others	171	137	24.9%	2.4%	2.2%
Total	6,975	6,230	12.0%	100.0%	100.0%

Cash flow and CAPEX

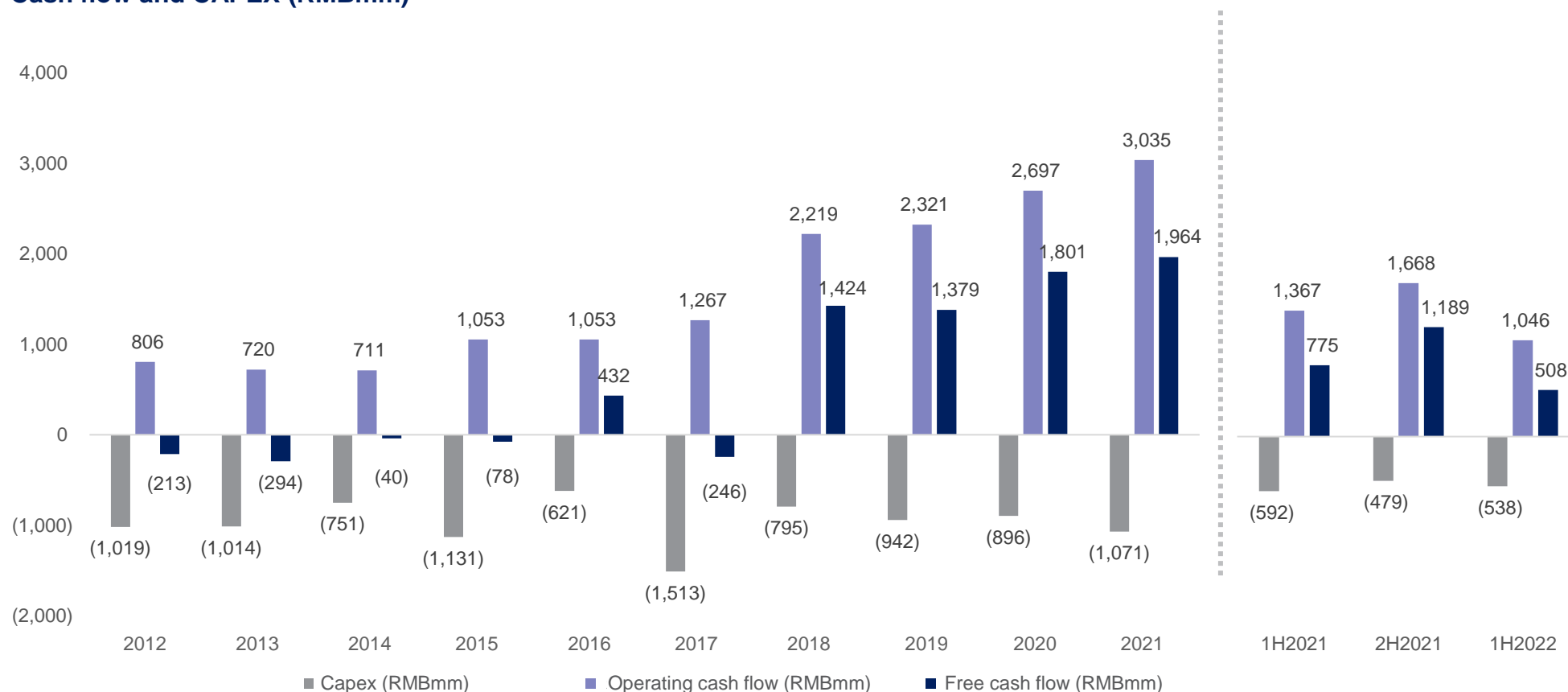


Cash flows and CAPEX

Affected by the COVID pandemic in 1H 2022, account receivable days of the hospital was slightly extended, and the Company's operating cash flow slightly decreased on a y-o-y basis

The Company has recorded positive free cash flow for the fifth consecutive year since 2018 as operating cash flow grew and CAPEX stabilized

Cash flow and CAPEX (RMBmm)



Other financial data



Other financial data

		1H2022	1H2021
Working capital	Inventory turnover in days ¹	96	104
	Account receivable turnover in days ¹	138	131
	Account payable turnover in days ¹	79	78
Cash and debt	Cash and bank balances (RMBbn)	6.72	6.58
	Total debt (RMBbn)	4.37	4.45
	Net cash (Net debt) (RMBbn)	2.35	2.13
Leverage analysis	Total debt/EBITDA (x)	1.0x	1.2x
	Net debt/EBITDA (x)	Net cash	Net cash
	Interest coverage ratio ² (x)	30.8x	28.9x
Current ratio and return analysis	Current ratio	3.0x	2.9x
	ROE	13.3%	12.6%
	ROA	9.2%	8.1%



Strategic Outlook



Management vision



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



Take advantage of the open, inclusive and sharing platform

- Build diversified product ecosystem and coordinate organizational system, achieving large-scale operation
- Meet or exceed customer needs with complete product solutions. Widen the product line and refine the single product



Maintain leading position in China and achieve coordinated development globally

- Maintain the leading position in China's medical device industry
- Actively promote the company's global resource sharing, realize the coordinated development of domestic and foreign markets



Digital Strategy to improve management excellence and explore new growth drivers

- Continue to promote digitalization in to enhance competitiveness in manufacturing, R&D and marketing
- Digital products, such as Mobile Nursery Management Software, are also new growth drivers



Establish a talent incentivization system

- Establish well-structured talent incentivization system to stimulate the creativity of employees



Improve innovation capabilities to achieve sustainable development

- Existing products upgrades: upgrade of existing products, functional improvements, application of new materials and cost control by product lines
- New product: set up R&D centers in Shanghai and Suzhou, bring in professional R&D talents, and focus on key technical bottlenecks and the R&D work of major product

Growth initiatives

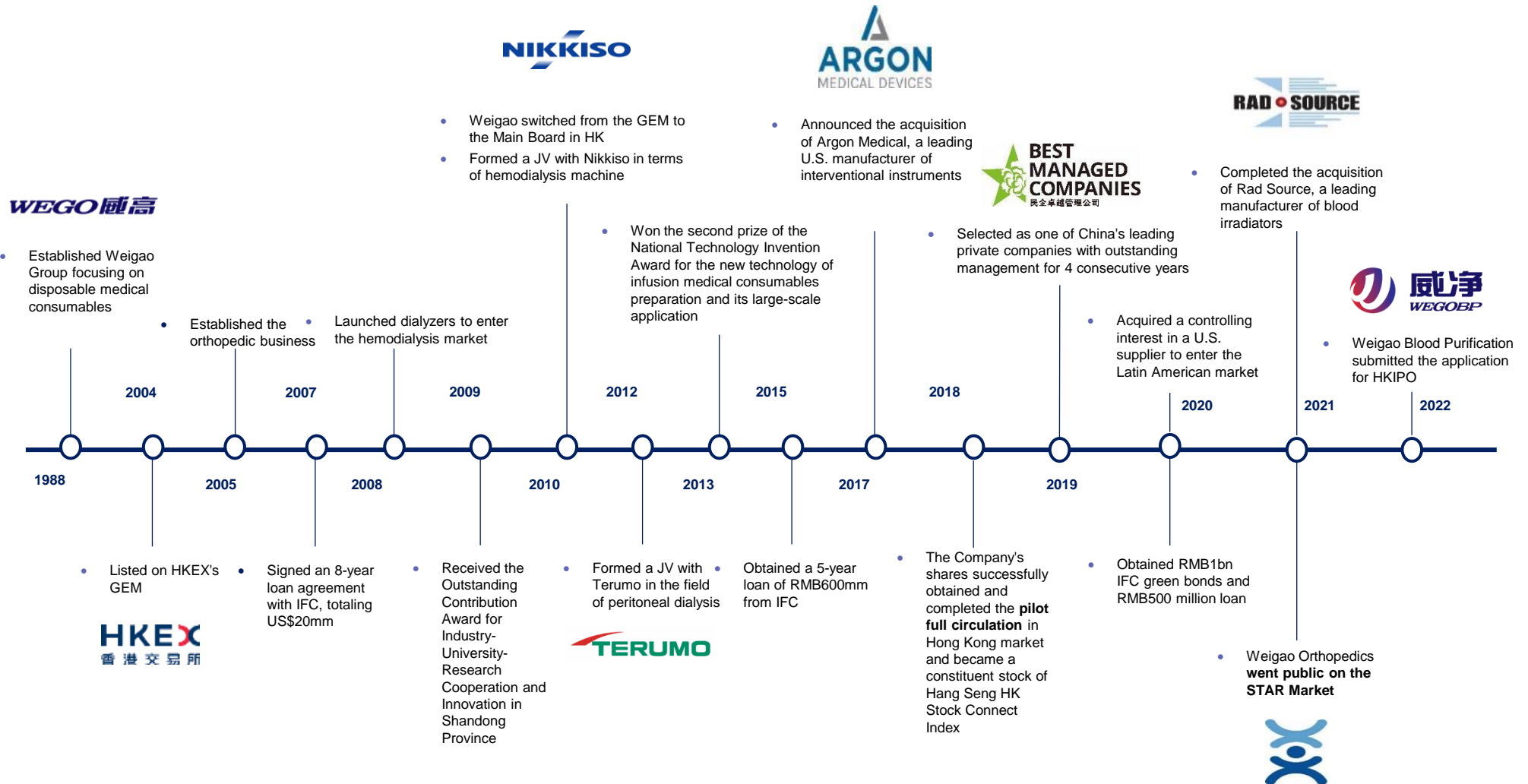


Growth strategies

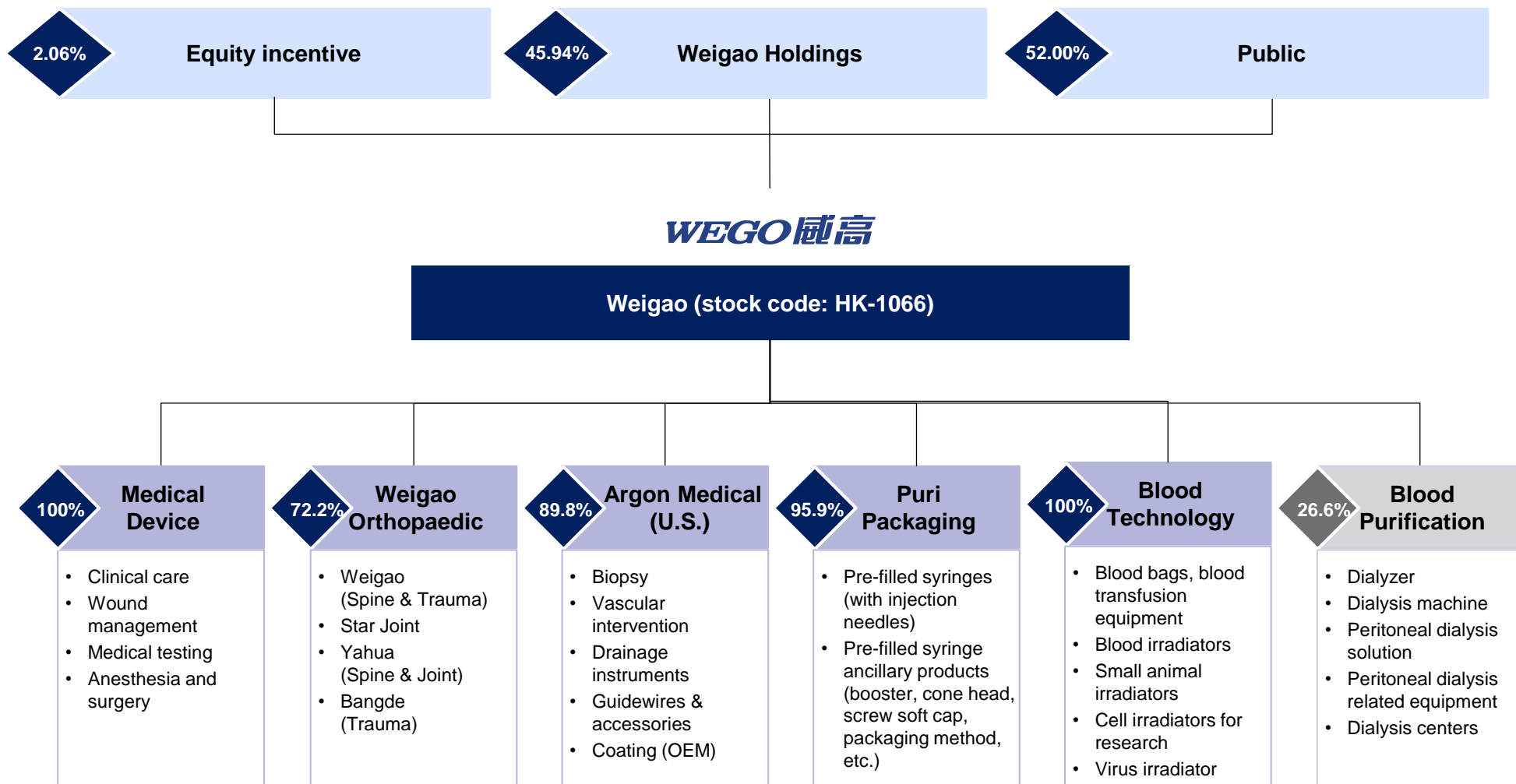
Benefiting from the continuous expansion of the global medical industry, Weigao plans to build a platform and provide systematic solutions to accelerate future growth



Key milestones



Weigao's corporate structure



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