

WEGO 威高



威高股份上市二十周年

20th Anniversary of Shandong Weigao's listing on HKEx

2024 1H RESULTS

28 AUGUST 2024



Content

WEGO 威高

1

Business Review

2

Financial Performance

3

Development Strategy

WEGO 威高

Chapter 1

Business Review



01

Stable performance growth

- Achieved revenue RMB6.64 billion, a decrease of 2.2% compared to the same period last year; an increase of 4.8% compared to the second half of last year
- Net profit attribute to parent companies of RMB1.11 billion, a YoY decrease of 6.6%; an increase of 37.8% compared with the second half of last year

02

Significant increase in sales volume and market share of main products

- **Consumables:** Seize the opportunity of volume procurement. The sales volume growth rate of each main product continuously maintained at 5 -15%
- **Orthopedic:** The volumes of terminal surgeries on joints, trauma and spine have all increased
- **Pharma packaging:** The sales volume of flush syringes have solid growth and prefilled syringes increased by 21%

03

New business

- Continue to improve product portfolio and expand into new business areas
- The LONG series of anesthesia machines have been certified and launched. The R&D of key products have achieved phased results; anesthesia-related consumables are expected to grow in volume, and the overall anesthesia solution is expected to be quickly implemented
- New business areas such as injector pens, sports medicine, minimally invasive spine, artificial bone, and muscle-bone repair have developed rapidly and formed new performance growth drivers

04

Continue to promote internationalization

- Continue to promote internationalization, overseas market revenue continues to increase
- In the first half of 2024, overseas markets achieved revenue of RMB1.72 billion, a YoY increase of 6.7%, and the proportion of overseas revenue continued to increase. Export products grow strongly, with revenue increasing by more than 20% YoY
- Actively promote the integration capabilities of overseas platforms such as Argon, Rad Source, and GHC to accelerate synergies

05

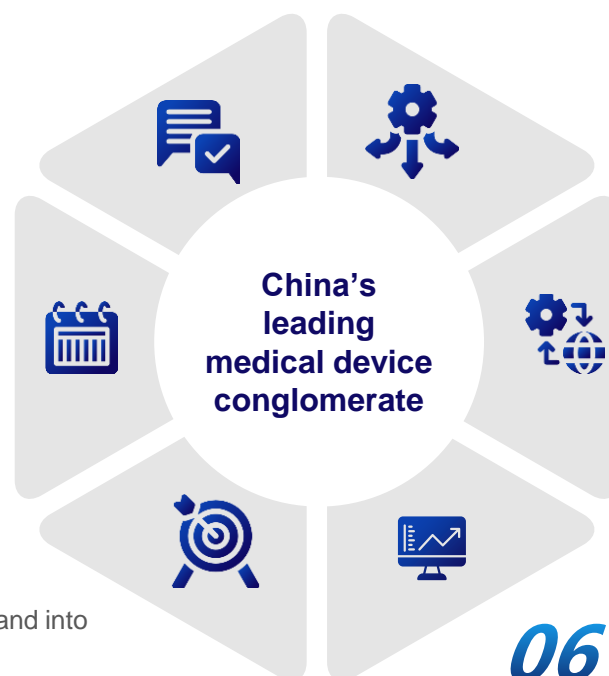
Stellar results in R&D investment

- In 1H2024, R&D expense is RMB 300 million. The R&D expense to sales ratio has increased to 4.5%
- In the first half of this year, we obtained 114 new product registration certificates and 64 patents. By the end of 1H2024, we have a total of 827 domestic product registration certificates, 784 overseas product registration certificates, 996 domestic patents and 201 overseas patents






06

Cost cutting

- Promote automated transformation, improve production efficiency, and reduce labor costs
- For core products, we leverage the manufacturing scale effect and continue to improve manufacturing capabilities; for non-core products, we compress and control fixed costs.
- Comprehensive import substitution; collaborate with suppliers to optimize supply chain



Review of business by segments

		YoY growth 1H2024%	Revenue%	Segment Income%
 Medical device products	<ul style="list-style-type: none"> Sales of main products grow steadily, including syringes increased by 5%, ordinary infusion sets increased by 5%, special infusion sets increased by 11%, and indwelling needles increased by 10%. Given the centralized procurement of some products is still in progress, prices dropped, affecting product revenue and profit growth. Continue to improve the product mix and expand new business, including anesthesia, respiratory, urology, endocrinology, endoscopy, rehabilitation products, etc. 	-7.7%	49.7%	48.6%
 Orthopedic products	<ul style="list-style-type: none"> Centralized procurement is basically completed. The sales volume growth range of spine, trauma and joints 1H2024 lands between 20% - 40%. The volume of surgical implants is basically the same as the sales volume. Sports medicine and artificial bones exploded in volume, further expanding the field of minimally invasive spine and laying out new profit growth drivers. Promote automated production and domestic substitution, reduce manufacturing costs, and actively expand overseas business. 	-6.5%	11.2%	7.1%
 Pharma packaging	<ul style="list-style-type: none"> The sales volume of flush syringes increased by 7%, and the sales volume of prefilled syringes increased by 21%, further increasing the market share. The market share increased with product mix improved. Laying out the field of automatic injector pens, signed development agreements with more than 30 pharmaceutical companies. 	10.0%	17.6%	38.9%
 Interventional products	<ul style="list-style-type: none"> Argon's main products maintained a stable position in the U.S. and Europe market. The Latin America and Canada markets have rapidly expanded, with a YoY growth of more than 20%; the China market has declined slightly. To create a more stable and risk-resistant global supply chain, Chinese factories have officially put into production, and production licenses have been successively approved. 	6.5%	15.2%	2.7%
 Blood management	<ul style="list-style-type: none"> Focus on the development of centralized blood collection and continue to penetrate market share; promote business expansion in areas such as blood preparation, platelet apheresis, and blood testing; promote the export of blood bag consumables and leukocyte reduction filter bag products in overseas. Rad Source irradiator series continue to promote supply chain optimization, making use of technical advantages, actively exploring new application scenarios, and form new performance growth points. The China market for blood irradiators is expected to usher in a period of rapid development. 	-19.7%	6.3%	2.7%

Review of business by geography



- In 1H2024, overseas market revenue achieved RMB1.72 billion, accounting for 25.9% of total revenue, with a YoY increase of 6.7%. Overseas competitiveness continues to improve
- Established Singapore office to strategically explore the market potential in Southeast Asia. Achieved major breakthroughs in orthopedics and blood management consumables, and steadily increased market share

Revenue (in RMB million)

Region	1H2024	Percentage	1H2023	Percentage	YoY growth %
Domestic	4,916	74.1%	5,286	76.6%	-7.0%
United State	671	10.1%	652	9.4%	2.9%
Europe, Middle East and Africa	378	5.7%	356	5.2%	6.0%
Asia (excluding China) and others	671	10.1%	604	8.8%	11.3%
Subtotal Overseas	1,720	25.9%	1,612	23.4%	6.7%
Total	6,636		6,898		-3.8%

WEGO 威高

Chapter 2

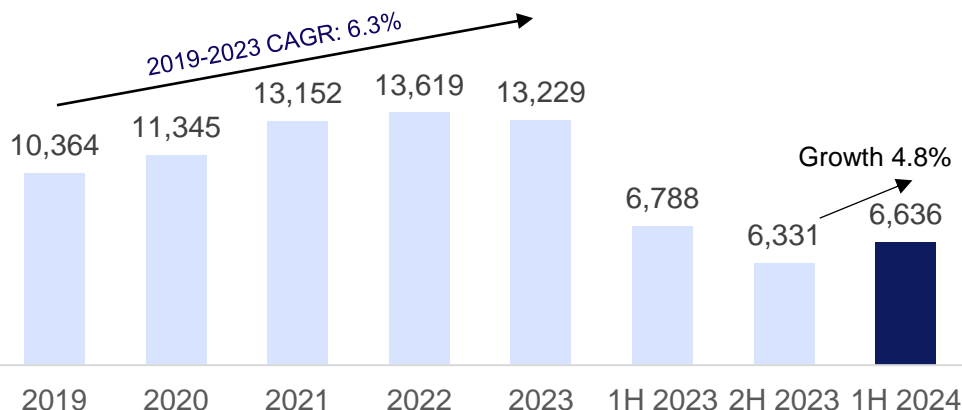
Financial Performance



Key Financial Data

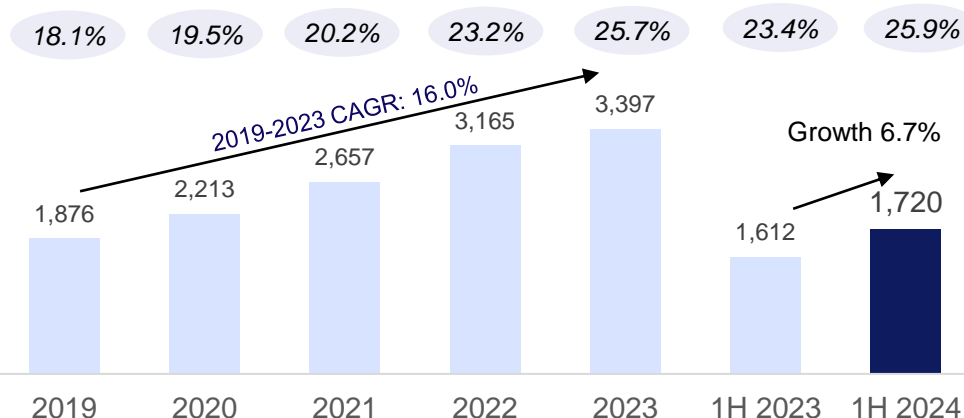


Revenue ^{1, 2} (RMBmn)



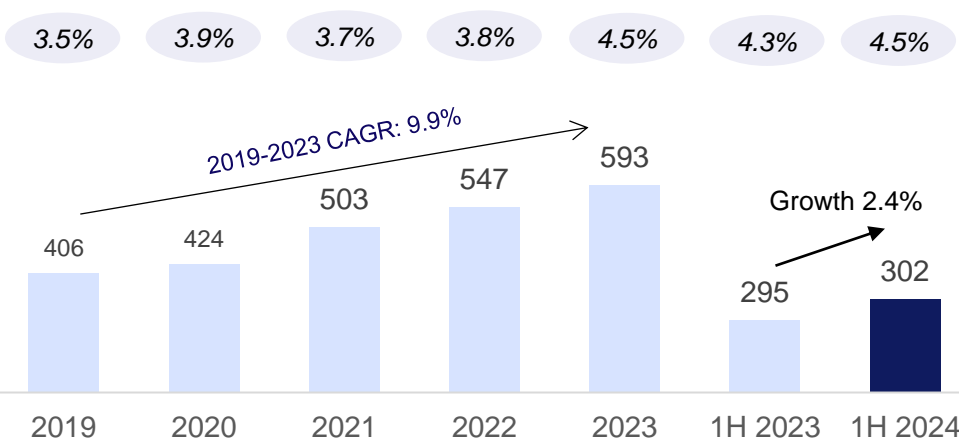
Oversee sales (RMBmn) and percentage (%)

Percentage of oversee sales (%)

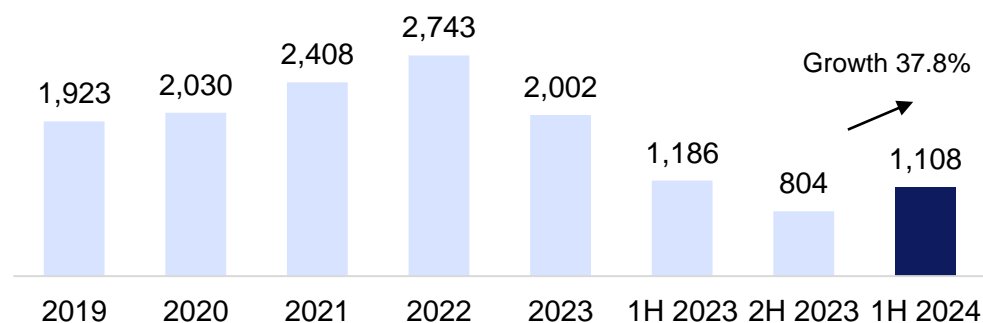


R&D expense (RMBmn) and ratio (%)

R&D expense ratio (%)



Net Profit Attributable to Shareholders^{1,2,3,4,5} (RMBmn)



1. Excluding the impact of income related to epidemic prevention materials on net profit
 2. Excluding the impact of accounting restatement of business under the same control
 3. Excluding the one-time expenses related to the replacement of the Erlang loan in 2019
 4. Excluding the special items such as the provision for litigation expenses in 2021, the passive dilution gain from WEGO Hemodialysis in 2022, the post tax gain from the government's reclamation of land

and buildings, and the post-tax expenses from product liability claims
 5. Excluding the impact of special items
 The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The actual figures are subject to performance reports.

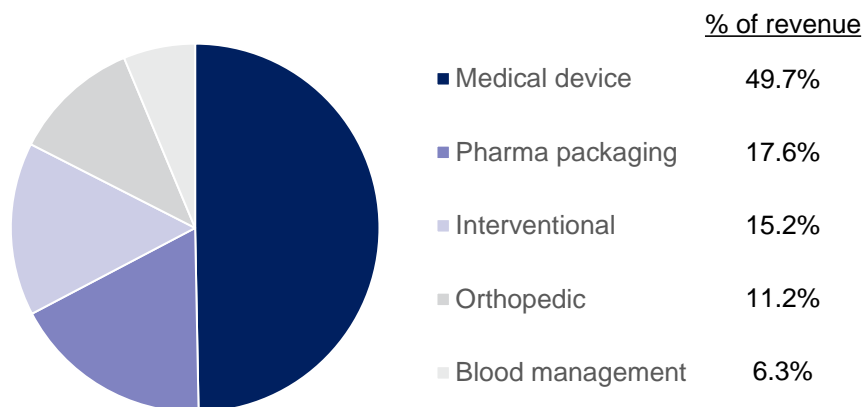
Revenue and profit breakdown



By business segment

Revenue breakdown

1H 2024

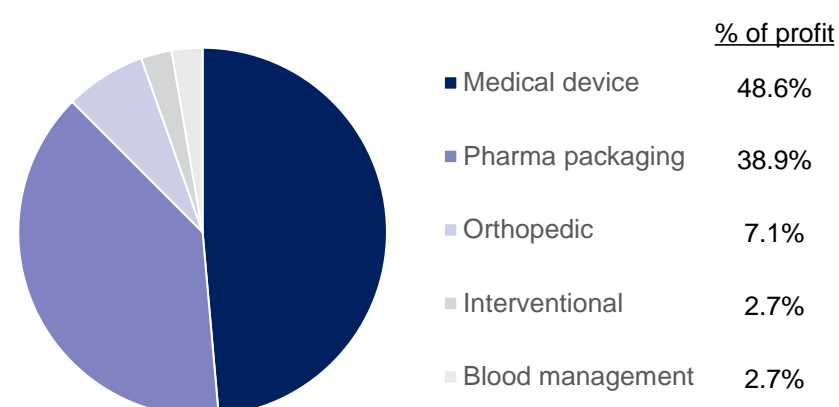


Revenue by business segment (RMBmn)

	1H 2024	1H 2023
Medical device products	3,293	3,568
Pharma packaging products	1,168	1,061
Interventional products	1,010	948
Orthopedic products	745	797
Blood management	420	523
Total	6,636	6,897

Segment profit breakdown

1H 2024



Profit by business segment (RMBmn)

	1H 2024	1H 2023
Medical device products	593	661
Pharma packaging products	475	422
Orthopedic products	87	103
Interventional products	33	46
Blood management	33	65
Total	1,221	1,297

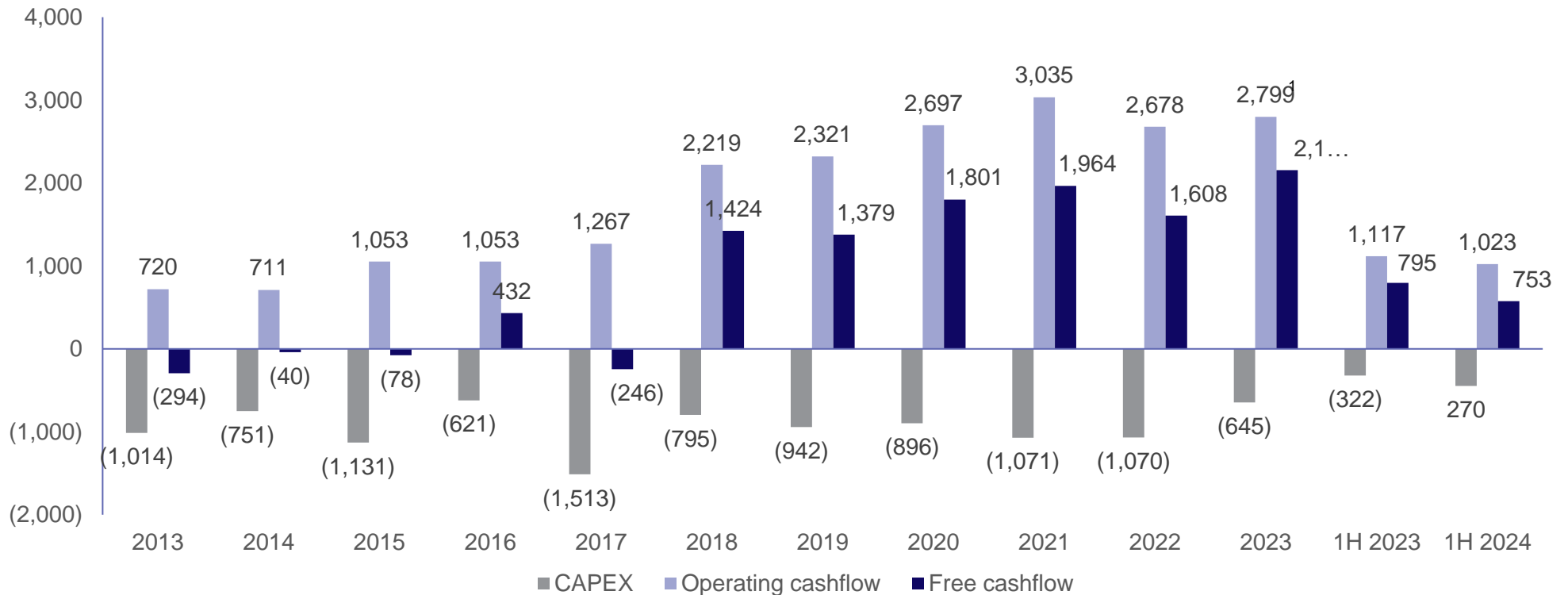
Cashflow and CAPEX



Overview of Cashflow and CAPEX^{1,2}

- In the first half of 2024, operating cashflow and free cashflow remained stable
- With the increase in operating cash flow and capital expenditure, Company has recorded positive free cashflow for 7 consecutive years since 2018

Cashflow and CAPEX (RMBmn)



1. After deduction of one-time outflow 460 RMBmn for product litigation in 2022

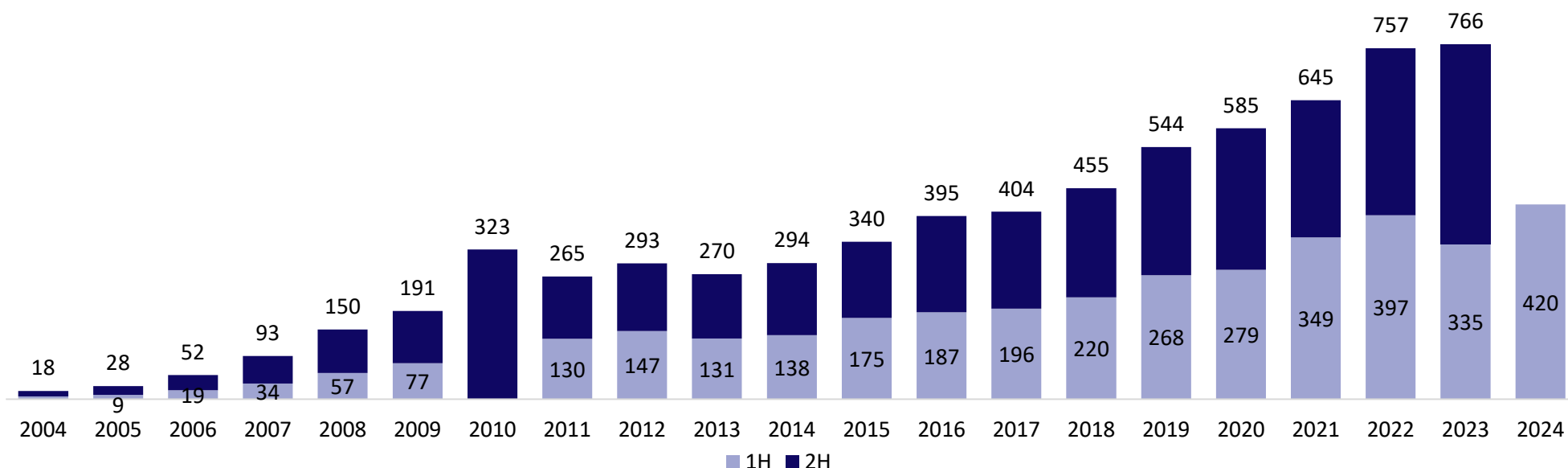
2. Not including the impact of accounting restatement of business under the same control during 2013-2022

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

Increased dividend ratio

- Following shareholder suggestions and considering robust operating cashflow and free cashflow, the board of directors proposed to significantly increase the dividend ratio for the full year of 2023 to 40%. The total dividend for the year is expected to reach RMB766 million, reaching a record high
- In first half of 2024, the dividend payout ratio will remain at 40%, with a proposed dividend of RMB 0.0919 per share, and the total dividend amount is expected to increase by 25% YoY
- Since IPO, WEGO has distributed cumulative dividends totaling RMB 6.9 billion, significantly exceeding the amount raised through equity financing

Total dividend (RMBmn) ^{2,3}



1. The dividend ratio is based on net profit at the operating level, excluding certain non-recurring non-cash profit

2. In the first half of 2010, the Board of Directors proposed the issuance of bonus shares, one bonus share for each existing share held. In the second half of 2010, the Directors proposed the payment of a final dividend of RMB0.075 per share for the year ended 31 December 2010, in total of RMB161.442mn, and the actual dividend for the second half of 2010 was RMB322.884mn

3. The 2024 interim dividend is subject to the approval of the General Meeting of Shareholders

Other Financial Data



		1H 2024	2023
Working capital	Inventory turnover in days ¹	128	132
	Account receivable turnover in days ¹	166	152
	Account payable turnover in days	104	95
Cash and debt	Cash and bank balances (RMBbn)	7.53	6.99
	Total debt (RMBbn)	4.13	4.17
	Net cash (RMBbn)	3.4.0	2.82
Leverage analysis	Total debt/ EBITDA (x)	1.2x	1.2x
	Net debt/ EBITDA (x)	Net cash	Net cash
	Interest coverage ratio ² (x)	14.8x	13.0x
Current ratio and return analysis	Current ratio	3.3x	2.5x
	Return on Equity	8.4%	9.0%
	Return on Assets	5.5%	6.1%

1. Average working capital days, accounts payable turnover days have taken the impact of notes payable into account

Interest coverage ratio = EBITDA / financing costs

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

Non-IFRS Adjustment



Unit: RMBmn

	1H 2024	1H 2023	Change
Revenue	6,636	6,898	-3.8%
Epidemic prevention related		110	
Adjusted revenue (Excluding epidemic prevention related)	6,636	6,788	-2.2%
Net profit attributable to shareholders	1,108	1,198	-7.5%
Epidemic prevention related		12	
Adjusted net profit attributable to shareholders (Excluding epidemic prevention related)	1,108	1,186	-6.6%

WEGO 威高

Chapter 3

Development Strategy

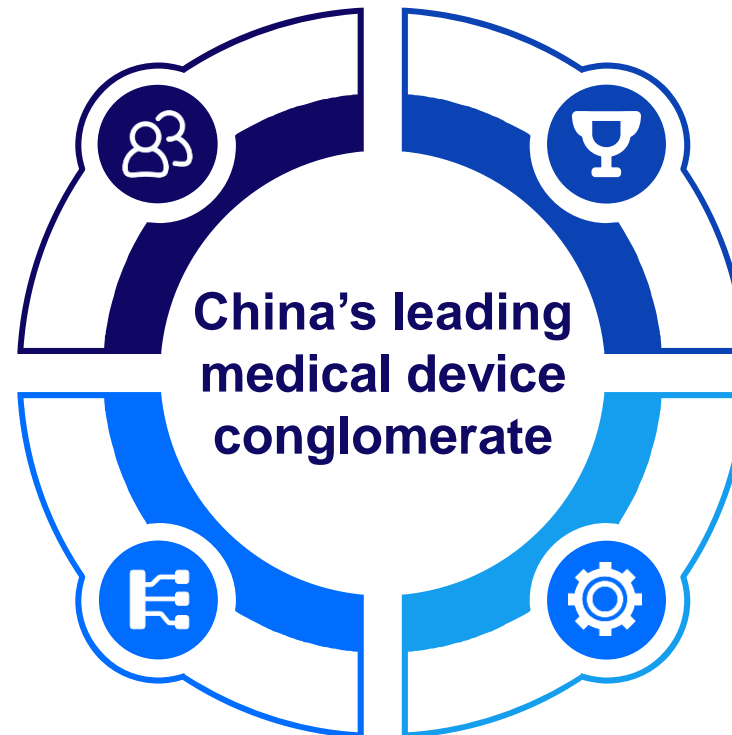


Key competitiveness to maintain industry leadership

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
- 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

Solid Manufacturing Foundation



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
- 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

Customer and distribution channel resources

- 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”

Company strategy



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, 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
- Recruiting specialized R&D talent for targeted projects

Key strategic Initiatives in the first half of the year

➤ Platform-based development:

- Launch of the LONG series anesthetics with regulatory approval, combined with anesthesia related consumables to create a comprehensive anesthesia department solution; rapid expansion of products such as artificial bone, bone cement, and PRP to support comprehensive orthopedic surgery solutions; actively developing automated safe drug delivery system to provide integrated self-administration solutions for pharmaceutical companies

- Leveraging platform advantages, bag products achieved a 20% YoY sales growth

➤ International Development:

- Overseas product lines show initial success; strategic partnerships formed with major global companies, expanding distribution channels, advancing academic exchanges, and steadily progressing with overseas manufacturing.

- Strong product growth abroad, with a 22% YoY increase

➤ Digital development :

- Implementing sales dashboard and energy management platform to enhance operational efficiency and quality
- Participated in the China hospital information network conference, supporting smart hospital development

➤ Talents:

- Added top industry experts to the leadership team with extensive foreign management experience
- Recruited high-level talent in R&D, management, and sales

➤ Innovation:

- Increased R&D investment, raising the R&D-to-sales ratio to 4.5%
- Secured 64 new patents and 114 registrations in the first half year, with significant progress in anesthetics, 4k endoscopes, dual mobility hip joints, injection pens, and Cleaner series thrombosis management products

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 30 June 2024)

	New Customers	Total number of domestic customers	Total number of overseas customers
Hospital	112	3,914	3,269
Blood stations	0	419	[-]
Other medical units	29	1,207	1,987
Distributors	129	4,500	2,245
Total	270	10,040	7,501

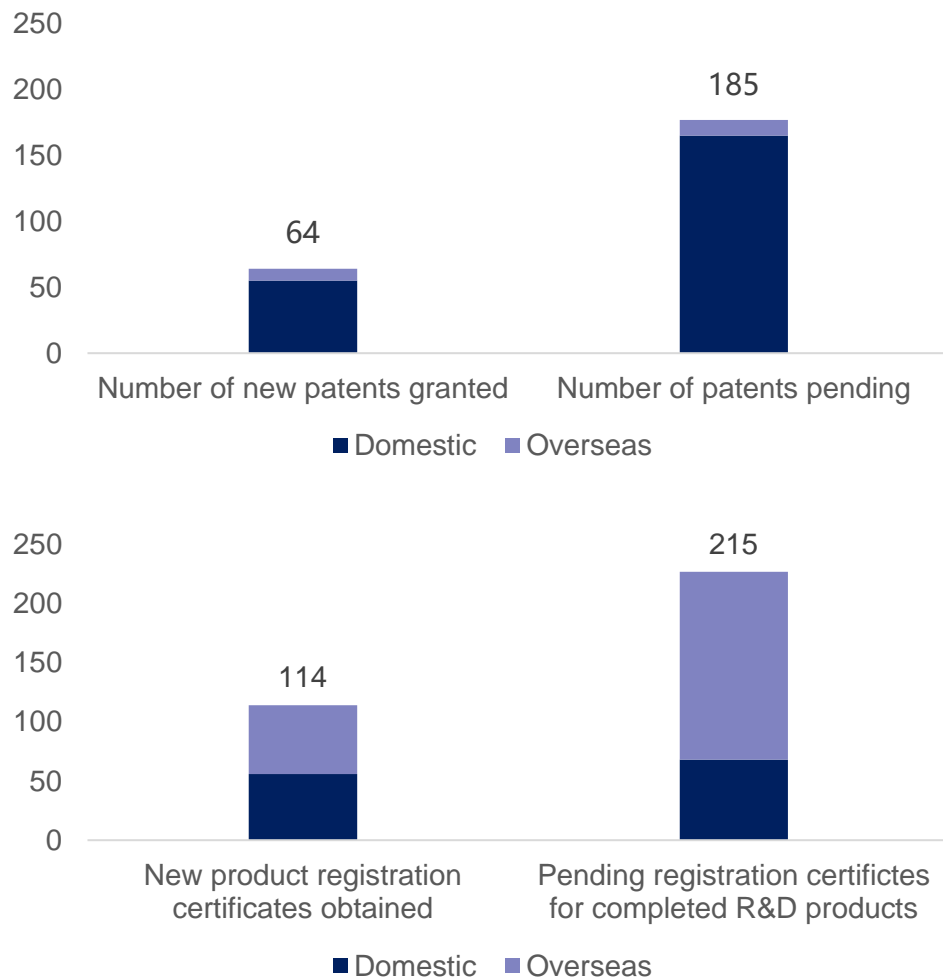
Innovation strategy – continue to expand product lines



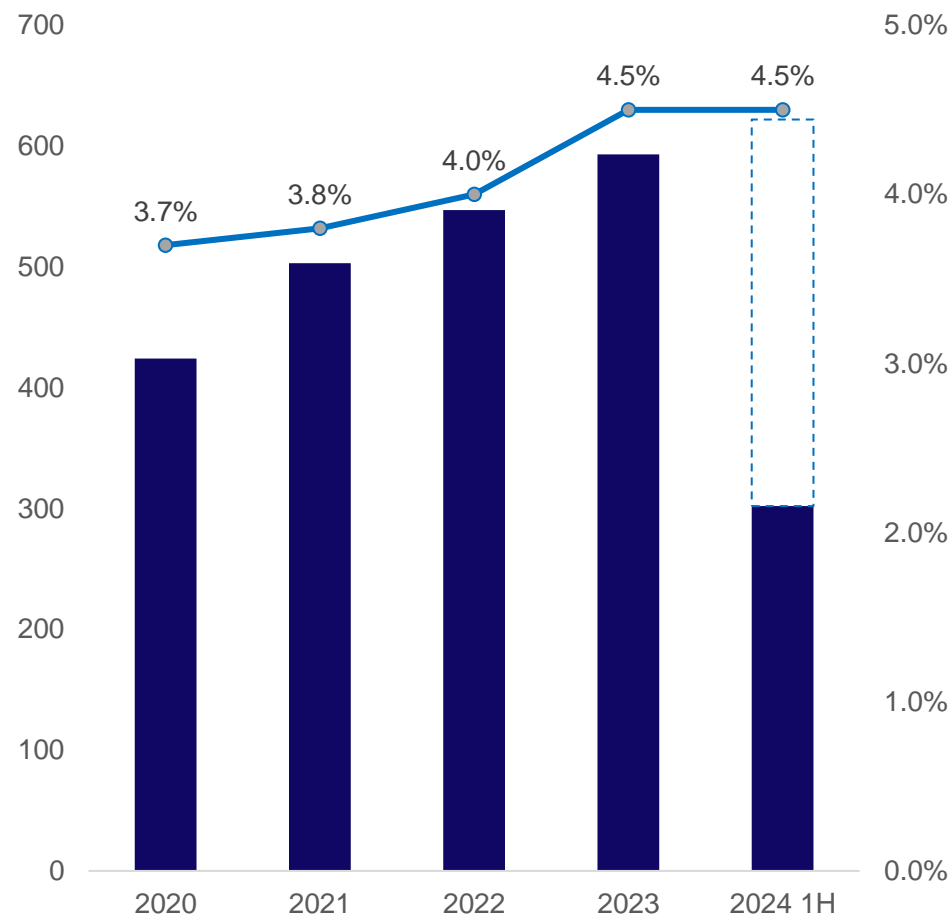
- We adhere to innovative business strategy, consolidate the product foundation, enrich the product line, bring new growth and enhance core competitiveness

Patent and new product registration status

(as of June 30, 2024)(Units)



R&D expense as% of revenue¹



1. Historical data included adjustments for restatement

Overseas market progress



Clinical care consumables



Orthopedic consumables



Pharmaceutical packaging



Interventional



Blood transfusion consumables

	Clinical care consumables	Orthopedic consumables	Pharmaceutical packaging	Interventional	Blood transfusion consumables
North America	Cooperate with large suppliers	Research stage	Establish relationships with pharmaceutical companies	Argon medical headquarter, strengthen competitiveness in the core advantage market	Research stage
Europe	Focus on ODM research and innovation	Enhance awareness of Chinese brand	Partner with Western Europe pharmaceutical companies	Strengthen market penetration	Obtain MDR certification
Latin America	Extend coverage on target countries	Academic exchange conference with leading spine experts in Brazil	Supplies to major core pharmaceutical companies in South America	Extend coverage on target countries	Product lines cover key markets in Argentina, Brazil and Colombia
Middle East and Africa	Participate in government tenders and Belt and Road aid	Market academic event hold at Orthopedic hospital in Tanzania	Enter North African and Middle Eastern pharmaceutical markets	Market development phase	To be one of the major suppliers in the region
Southeast Asia	Explore distribution channel	Secured distributor deals; opened sales subsidiaries in Thailand and Indonesia	To be one of the major suppliers in the region	Explore distribution channel	High YoY growth in Indonesia and Vietnam markets



Implement sustainable green development

As the first "green bond" client in the Asian healthcare industry for the International Finance Corporation (IFC), a subsidiary of the World Bank, we have received strong support and recognition from IFC for the sustainable development strategy

- **Energy conservation and low carbon:** we vigorously promote the application of green and energy-saving technologies, processes and equipment, and promote high-end, intelligent and green industry transformation. We actively implement the development and construction of garden-style factories with the green area of gardens, roads and mountains, selected as a pilot enterprise for green, low-carbon and high-quality development in Shandong Province
- **Resource and emission management:** The energy management platform is launched to monitor the energy use status online in a panoramic view through digital management methods, analyze and optimize comprehensive energy consumption to achieve lean energy consumption management. We promote the construction of "zero-waste factory" to realize resource recycling



Fulfill corporate social responsibility

The core values of "conscience, integrity and loyalty" are implemented in the practice of corporate social responsibility

- **Assist people with disabilities in employment:** our subsidiary, Weihai Jierui, is the largest social welfare enterprise in Shandong, providing employment opportunities for people with disabilities and helping them integrate into society
- **Actively participate in social welfare:** The "Conch Girl" project was selected as a national rural public service model. Donated sanitary products to low-income families, benefiting more than 2,100 infants and young children. Assisted Weihai City's charity serious illness relief project, benefiting nearly 200 seriously ill patients



Continue to improve the level of corporate governance

Adhere to compliance management: abide by laws and regulations, fight against corruption, promote integrity and fair competition

Focus on gender equality: and increase the proportion of female on boards and senior management

Build a sustainable supply chain: While adhering to high standards of business ethics, we seek supply chain partners with the same high ethical standards and quality, strengthen supplier management, and promote common development



03 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

04 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

02 Direct marketing channels

- Establishing direct sales channels for select product lines to provide quicker and better services to clients

05 Import substitution

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

01 Product cooperation

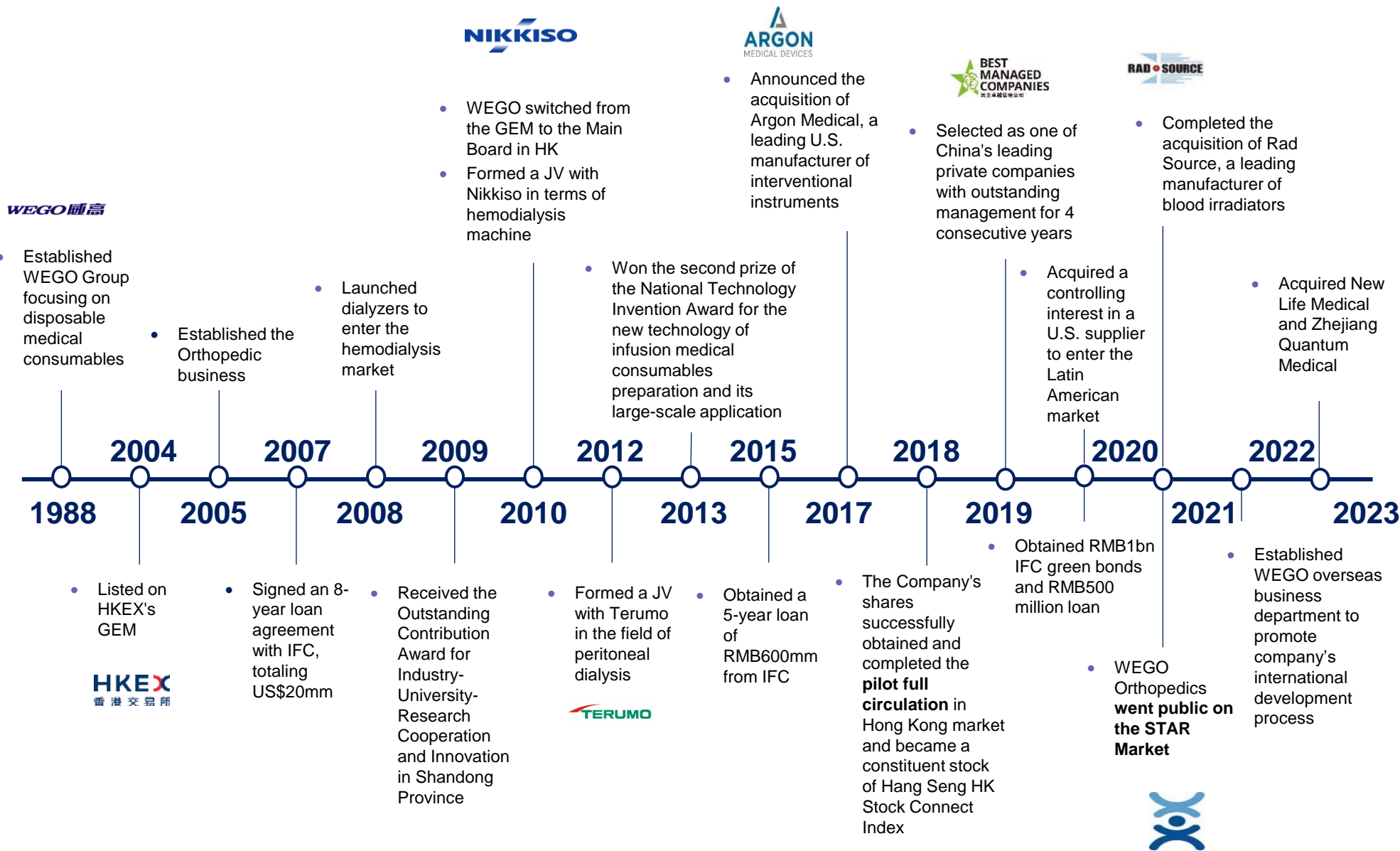
- Partnering with hospitals and doctors to design customized products to better meet clinical needs

06 Strategic cooperation

- Adopt an open and diversified cooperation model, introduce external capital, technology, and products, and continue to cultivate more innovative projects and growth drivers



Key milestones



This document does not constitute, or form part of any offer for subscription or sale of, or solicitation of any offer to subscribe for or sale of any securities of Shandong Weigao Group Medical Polymer Company Limited ("Weigao Group"), nor shall it be construed as calculated to invite any such offer, nor shall it form the basis of, nor can it be relied on in connection with, or act as an inducement to enter into any contract or commitment whatsoever.

Forward-Looking Statements

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Weigao Group, and certain of the plans and objective of the management of Weigao Group. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Weigao Group to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements were based on assumptions regarding Weigao Group's present and future business strategies and the political and economic environment in which Weigao Group and its subsidiaries will operate in the future. Reliance should not be placed on these forward-looking statements, which reflect the view of Weigao Group's management as of the date of this presentation only.

Confidentiality

This document is given to you on a confidential basis and must not be passed to, or their contents disclosed to, any other person and no copy shall be taken hereof.



威高股份上市二十周年

20th Anniversary of Shandong Weigao's listing on HKEx



偕同白衣使者 开创健康未来