

# Smith & Nephew A/S

Kay Fiskers Plads 9, 1., 2300 København S

CVR no. 26 02 00 50

## Annual report 2022

Approved at the Company's annual general meeting on 11 July 2023

Chair of the meeting:



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Renata Banasik

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Smith & Nephew A/S for the financial year 1 January - 31 December 2022.

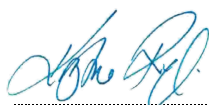
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 11 July 2023  
Executive Board:

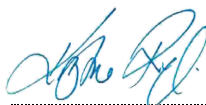


Kirstine Rylev  
Director

Board of Directors:



Renata Banasik  
Chair



Kirstine Rylev



Dennis Foldager

## Independent auditor's report

To the shareholders of Smith & Nephew A/S

### Opinion

We have audited the financial statements of Smith & Nephew A/S for the financial year 1 January – 31 December 2022, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

## Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

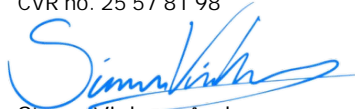
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 11 July 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Simon Vinberg Andersen

State Authorised Public Accountant

mne35458

## Management's review

### Company details

Name	Smith & Nephew A/S
Address, Postal code, City	Kay Fiskers Plads 9, 1., 2300 København S
CVR no.	26 02 00 50
Established	4 May 2001
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	Denmark (smith-nephew.com)
E-mail	sn.dk@smith-nephew.com
Telephone	+45 45 80 61 00
Board of Directors	Renata Banasik, Chair Kirstine Rylev Dennis Foldager
Executive Board	Kirstine Rylev, Director
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 København Ø

## Management's review

### Business review

The Company's main business is selling of medical devices in Denmark within Reconstruction, Trauma, Sports medicine as well as Advanced Wound Management

### Financial review

The income statement for 2022 shows a profit of DKK 2,843 thousand against a profit of DKK 2,349 last year, and the balance sheet at 31 December 2022 shows equity of DKK 47,242 thousand.

### Financial risks and use of financial instruments

The company are buying the main part of goods in local currency from foreign intercompany vendors. Operating in a tender driven highly competitive market there is always a price risk that are supervised closely. Smith & Nephew has well established routines and a pricing organization that follows the market and competitors closely to manage the price risk.

### Impact on the external environment

The company's activities have no significant impact on the external environment.

### Research and development activities

All research and development activities are performed by other Smith & Nephew group companies.

### Outlook

Smith & Nephew A/S has a strong share position within the Danish market in some of its product areas. The company takes a positive view of future situation and considers the possibility of further growth and low risk of losing the market share.

### Events after the balance sheet date

After the balance sheet date, no significant events have occurred that are considered to have a material effect on the assessment of the financial statements.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2022	2021
	Gross profit	43,459	31,920
2	Staff costs	-36,172	-26,711
	Depreciation of property, plant and equipment	-2,652	-2,037
	Other operating expenses	-372	-42
	Profit before net financials	4,263	3,130
3	Financial income	92	0
	Financial expenses	-632	-72
	Profit before tax	3,723	3,058
4	Tax for the year	-880	-709
	Profit for the year	2,843	2,349
		<u>2,843</u>	<u>2,349</u>
	Recommended appropriation of profit		
	Retained earnings	2,843	2,349
		<u>2,843</u>	<u>2,349</u>



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	6,101	9,252
		6,101	9,252
6	Investments		
	Deposits	1,806	1,806
		1,806	1,806
	Total fixed assets	7,907	11,058
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	2,796	4,892
		2,796	4,892
	Receivables		
	Trade receivables	14,605	8,907
	Receivables from group enterprises	40,721	37,637
	Deferred tax assets	440	436
	Corporation tax receivable	0	427
	Other receivables	111	110
	Prepayments	69	166
		55,946	47,683
	Cash	7,138	4,047
	Total non-fixed assets	65,880	56,622
	TOTAL ASSETS	73,787	67,680

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	6,250	6,250
	Retained earnings	40,992	38,149
	Total equity	47,242	44,399
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	1,794	5,576
	Payables to group enterprises	18,270	9,761
	Corporation tax payable	465	0
	Other payables	6,016	7,944
		26,545	23,281
	Total liabilities other than provisions	26,545	23,281
	TOTAL EQUITY AND LIABILITIES	73,787	67,680

- 1 Accounting policies
- 7 Contractual obligations and contingencies, etc.
- 8 Collateral
- 9 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2021	6,250	35,800	42,050
Transfer through appropriation of profit	0	2,349	2,349
Equity at 1 January 2022	6,250	38,149	44,399
Transfer through appropriation of profit	0	2,843	2,843
Equity at 31 December 2022	6,250	40,992	47,242

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Smith & Nephew A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

##### External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-10 years
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Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

##### Financial income and expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses, exchange rate gains and losses, as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

##### Investments

Deposits are measured at amortised cost.

##### Impairment of fixed assets

The carrying amount of property, plant and equipment and investments is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at amortized cost normally corresponding to net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

	DKK'000	2022	2021
2	Staff costs		
	Wages/salaries	33,298	24,440
	Pensions	2,411	1,920
	Other social security costs	463	351
		<u>36,172</u>	<u>26,711</u>
	Average number of full-time employees	<u>39</u>	<u>35</u>
3	Financial income		
	Interest receivable, group entities	92	0
		<u>92</u>	<u>0</u>
4	Tax for the year		
	Estimated tax charge for the year	951	253
	Deferred tax adjustments in the year	-4	277
	Tax adjustments, prior years	-67	179
		<u>880</u>	<u>709</u>
5	Property, plant and equipment		
	DKK'000		Fixtures and fittings, other plant and equipment
	Cost at 1 January 2022		35,899
	Additions		1,064
	Disposals		-16,888
	Cost at 31 December 2022		<u>20,075</u>
	Impairment losses and depreciation at 1 January 2022		26,647
	Depreciation		2,652
	Reversal of accumulated depreciation and impairment of assets disposed		-15,325
	Impairment losses and depreciation at 31 December 2022		<u>13,974</u>
	Carrying amount at 31 December 2022		<u>6,101</u>
	Depreciated over		<u>3-10 years</u>
6	Investments		
	DKK'000		Deposits
	Cost at 1 January 2022		<u>1,806</u>
	Cost at 31 December 2022		<u>1,806</u>
	Carrying amount at 31 December 2022		<u>1,806</u>



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 7 Contractual obligations and contingencies, etc.

##### Other financial obligations

##### Other rent and lease liabilities:

DKK'000	2022	2021
Rent and lease liabilities	9,800	9,788

Rent and lease liabilities include a rent obligation totaling DKK 7.809 thousands in interminable rent agreements with remaining contract terms of 46 months. Furthermore, the Company has liabilities under operating leases for cars, totaling DKK 1.991 thousands. DKK 2,700 thousands is due within 1 year, and the remaining DKK 7,100 thousands is due in 1-5 years.

#### 8 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2022.

#### 9 Related parties

Smith & Nephew A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Smith&Nephew USD Limited	15 Adam Street London WC2N 6LA United Kingdom	Immediate parent company

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Smith & Nephew Plc.	Building 5, Croxley Park Hatters Lane Watford Hertfordshire WD18 8YE United Kingdom	The consolidated financial statements can be requisitioned at Building 55, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE, United Kingdom