

Zimmer Biomet Denmark ApS

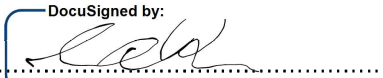
Herstedvang 12, DK-2620 Albertslund

CVR no. 33 05 14 41

Annual report 2021

Approved at the Company's annual general meeting on 12 July 2022

Chair of the meeting:

DocuSigned by:

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Michael Persson

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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Zimmer Biomet Denmark ApS for the financial year 1 January - 31 December 2021.


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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

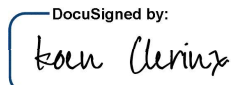
Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Albertslund, 12 July 2022
Executive Board:

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Michael Persson
CEO

DocuSigned by:

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Koen Marleen Clerinx
Director

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Jennie Linn Alecia
Christensson
Director

Independent auditor's report

To the shareholder of Zimmer Biomet Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Zimmer Biomet Denmark ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 as 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 about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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.
- 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 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.

Hellerup, 12 July 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31


Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703


Anders Røjleskov
State Authorised Public Accountant
mne28699

Management's review

Company details

Name	Zimmer Biomet Denmark ApS
Address, Postal code, City	Herstedvang 12, DK-2620 Albertslund
CVR no.	33 05 14 41
Established	1 July 2010
Registered office	Albertslund
Financial year	1 January - 31 December
Executive Board	Michael Persson, CEO Koen Marleen Clerinx, Director Jennie Linn Alecia Christensson, Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, DK-2900 Hellerup
Bankers	Citibank

Management's review

Financial highlights

DKK'000	2021	2020	2019	2018	2017
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Key figures

Gross profit	45,758	45,797	45,242	34,376	32,828
Profit before interest and tax (EBIT)	10,096	11,643	16,059	7,410	6,087
Net financials	-346	-276	-305	-182	1,097
Profit for the year	7,584	8,721	12,216	5,515	5,455

Total assets	91,705	86,384	77,144	67,918	118,806
Investments in property, plant and equipment	0	0	51	0	0
Equity	65,542	57,957	49,236	42,020	81,955

Financial ratios

Return on assets	11.5%	11.7%	22.1%	7.9%	5.7%
Equity ratio	71.5%	67.1%	63.8%	61.9%	69.0%
Return on equity	12.3%	16.3%	26.8%	8.9%	7.0%

Average number of full-time employees	38	37	31	30	28
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The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business review

As in previous years, the main activity has been trade with medical implants, related instruments and other medical equipment and provide respective services.

Recognition and measurement uncertainties

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Unusual matters having affected the financial statements

The company's financial position at 31 December 2021 and the results of its operations for the financial year ended 31 December 2021 are not affected by any unusual matters.

Financial review

The income statement for 2021 shows a profit of DKK 7,584,389 against a profit of DKK 8,720,949 last year, and the balance sheet at 31 December 2021 shows equity of DKK 65,541,816.

Financial risks and use of financial instruments

The company's objectives and policies for financial risk management

There have been no specific risks within the enterprise sector.

The company's exposure to price, credit, liquidity and cash flow risks

There are no special credit risks.

Impact on the external environment

There are no special impact in external environment.

Research and development activities

All research and development are done in other group companies.

Events after the balance sheet date

We refer to note 2.

Outlook

The company expect to continue winning market share in key segments and brands and introduction of new technologies supporting the Zimmer Biomet's strategic mission. The level of negative impact on performance from Covid-19 is uncertain, as well as potential conflict and strike among nurses.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2021	2020
	Gross profit	45,757,745	45,796,677
3	Staff costs	-35,630,868	-34,081,651
4	Depreciation of property, plant and equipment	-31,039	-71,945
	Profit before net financials	10,095,838	11,643,081
	Financial income	0	62,841
	Financial expenses	-346,302	-338,691
	Profit before tax	9,749,536	11,367,231
5	Tax for the year	-2,165,147	-2,646,282
	Profit for the year	<u>7,584,389</u>	<u>8,720,949</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2021	2020
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	20,470	51,509
		<u>20,470</u>	<u>51,509</u>
7	Investments		
	Deposits, investments	434,246	428,869
		<u>434,246</u>	<u>428,869</u>
	Total fixed assets	<u>454,716</u>	<u>480,378</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	28,303,299	17,504,340
	Receivables from group enterprises	58,949,866	54,049,053
8	Deferred tax assets	294,257	365,644
		<u>87,547,422</u>	<u>71,919,037</u>
	Cash	3,703,253	13,984,743
	Total non-fixed assets	<u>91,250,675</u>	<u>85,903,780</u>
	TOTAL ASSETS	<u>91,705,391</u>	<u>86,384,158</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	983,128	983,128
	Retained earnings	64,558,688	56,974,299
	Total equity	65,541,816	57,957,427
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Holiday accrual	0	2,781,653
		0	2,781,653
	Current liabilities other than provisions		
	Trade payables	1,823,802	1,151,661
	Payables to group enterprises	10,911,287	14,359,859
	Corporation tax payable	2,667,414	1,589,454
	Other payables	10,761,072	8,544,104
		26,163,575	25,645,078
	Total liabilities other than provisions	26,163,575	28,426,731
	TOTAL EQUITY AND LIABILITIES	91,705,391	86,384,158

- 1 Accounting policies
- 2 Events after the balance sheet date
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties
- 12 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK	Share capital	Retained earnings	Total
	Equity at 1 January 2020	983,128	48,253,350	49,236,478
12	Transfer, see "Appropriation of profit"	0	8,720,949	8,720,949
	Equity at 1 January 2021	983,128	56,974,299	57,957,427
12	Transfer, see "Appropriation of profit"	0	7,584,389	7,584,389
	Equity at 31 December 2021	983,128	64,558,688	65,541,816

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Zimmer Biomet Denmark ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Reporting currency

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Public grants

Public grants comprise amounts received by the Company from governments as reimbursement for costs incurred. Government grants are recognised when there is reasonable assurance that they will be received.

The Company was entitled to subsidies to compensate some of the employee costs under the condition that employee staff contracts should not be terminated as a result of lower profitability due to the COVID-19 pandemic.

Government grants are included in the gross profit

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Raw materials and consumables, etc.

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related 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 pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Depreciation

Depreciation and impairment losses comprise the year's depreciation and impairment of other fixtures and fittings, tools 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	5 years
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Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Property, plant and equipment

Items of other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Where individual parts of an item of equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Investments

Deposits includes rent deposits, which are recognized and measured at cost. There are no depreciation at deposits.

Impairment of fixed assets

The carrying amount of tangible assets is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. 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 present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cashflows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Cash

Cash comprise cash.

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.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

2 Events after the balance sheet date

As of March 3, 2022, Heraeus Medical and Zimmer Biomet group entered into a confidential settlement agreement to resolve all lawsuits worldwide. In addition to settling all legal disputes with Heraeus, the settlement agreement provides for a settlement payment that will be processed at group level over 3 years.

DKK	2021	2020
3 Staff costs		
Wages/salaries	30,282,177	29,013,765
Pensions	3,439,831	3,238,630
Other staff costs	1,908,860	1,829,256
	<u>35,630,868</u>	<u>34,081,651</u>
Average number of full-time employees	<u>38</u>	<u>37</u>

Remuneration to members of Management:

Staff costs include remuneration for the Executive Board of DKK 1,976 thousand (2020: DKK 1,975 thousand).

4 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	31,039	71,945
	<u>31,039</u>	<u>71,945</u>
5 Tax for the year		
Estimated tax charge for the year	2,093,960	2,413,444
Deferred tax adjustments in the year	71,387	109,829
Tax adjustments, prior years	-200	123,009
	<u>2,165,147</u>	<u>2,646,282</u>

6 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment
Cost at 1 January 2021	<u>550,977</u>
Cost at 31 December 2021	<u>550,977</u>
Impairment losses and depreciation at 1 January 2021	499,468
Depreciation	31,039
Impairment losses and depreciation at 31 December 2021	<u>530,507</u>
Carrying amount at 31 December 2021	<u>20,470</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Investments

DKK	Deposits, investments
Cost at 1 January 2021	428,869
Additions	5,377
Cost at 31 December 2021	434,246
Carrying amount at 31 December 2021	434,246

DKK	2021	2020
8 Deferred tax		
Deferred tax at 1 January	-365,644	-475,473
Deferred tax adjustment in the year	71,387	109,829
Deferred tax at 31 December	-294,257	-365,644
Deferred tax relates to:		
Property, plant and equipment	-294,257	-365,644
	-294,257	-365,644
Analysis of the deferred tax		
Deferred tax assets	-294,257	-365,644
	-294,257	-365,644

Deferred tax is measured at 22% corresponding to the current tax rate.

Deferred tax provisions relate mainly to temporary differences between the carrying amount and the tax base of assets and liabilities.

Based on long-term budgets for the next 3 years, it is the management's expectation that the deferred tax asset can be used, and the tax asset is therefore factored in at 100%.

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company provides product warranty in accordance with Zimmer Biomet Holdings Inc. warranty program on products sold. Zimmer Biomet Holdings Inc. covers the Company's cost relating to such warranty program.

The Company is at 31 December 2021 a part of a lawsuit where the Company can be forced not to sell certain products. As of March 3, 2022, Heraeus Medical and Zimmer Biomet Group entered into a confidential settlement agreement to resolve all lawsuits worldwide. In addition to settling all legal disputes with Heraeus, the settlement agreement provides for a settlement payment that will be processed at group level over 3 years. Any cost related with the settlement, will be covered in full by the Zimmer Biomet Group, hence the Company's financial statements will not be impacted.

Financial statements 1 January - 31 December

Notes to the financial statements

9 Contractual obligations and contingencies, etc. (continued)

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	<u>3,292,552</u>	<u>1,728,519</u>
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10 Collateral

The Company has no charges and securities.

11 Related parties

Zimmer Biomet Denmark ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Zimmer GmbH	Zählerweg 4, 6300 Zug, Schweiz.	Owner

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Zimmer Biomet Holdings Inc.	345 Main St. Warsaw, India, USA.	https://investor.zimmerbiomet.com/stockholder-services/download-library

Related party transactions

The Company's intercompany transactions and normal management remuneration has during the year been entered into arm's length.

DKK	<u>2021</u>	<u>2020</u>
12 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	<u>7,584,389</u>	<u>8,720,949</u>
	<u>7,584,389</u>	<u>8,720,949</u>