

Zimmer Biomet Denmark ApS

Herstedvang 12, DK-2620 Albertslund

CVR no. 33 05 14 41

Annual report 2022

Approved at the Company's annual general meeting on 5 July 2023

Chair of the meeting:
DocuSigned by Michael Persson

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Michael Persson | Jeg godkender dette dokument
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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 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.

Albertslund, 5 July 2023
Executive Board:

DocuSigned by Michael Persson	DocuSigned by Koen Clerinx	DocuSigned by Linn Christensson
		
Jeg godkender dette dokument 05-jul-2023 17:28:56	I approve this document 05-Jul-2023 17:28:56	I approve this document 05-Jul-2023 16:50:50
Michael Persson CEO	Koen Marieen Clerinx Director	Jennie Linn Alecia Christensson Director
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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 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.

We have audited the Financial Statements of Zimmer Biomet Denmark ApS for the financial year 1 January - 31 December 2022, 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.

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.

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.

Independent auditor's report

- 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.

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.

Hellerup, 5 July 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31


Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

DocuSigned by Bo Schou-Jacobsen

I approve this document
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Anders Røjleskov
State Authorised Public Accountant
mne28699

DocuSigned by Anders Røjleskov

I approve this document
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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	2022	2021	2020	2019	2018
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Key figures

Gross profit	53,099	45,758	45,797	45,242	34,376
Profit before interest and tax (EBIT)	15,231	10,096	11,643	16,059	7,410
Net financials	-376	-346	-276	-305	-182
Profit for the year	11,476	7,584	8,721	12,216	5,515

Total assets	116,261	91,705	86,384	77,144	67,918
Investments in property, plant and equipment	0	0	0	51	0
Equity	77,018	65,542	57,957	49,236	42,020

Financial ratios

Return on assets	11.6%	11.5%	11.7%	22.1%	7.9%
Equity ratio	66.2%	71.5%	67.1%	63.8%	61.9%
Return on equity	16.1%	12.3%	16.3%	26.8%	8.9%

Average number of full-time employees	36	38	37	31	30
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The financial ratios stated under "Financial highlights" have been calculated as follows:

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	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

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.

Financial review

The income statement for 2022 shows a profit of DKK 11,476,051 against a profit of DKK 7,584,389 last year, and the balance sheet at 31 December 2022 shows equity of DKK 77,017,867.

Year end result is positively affected by :

1. Post covid increased activity level
2. Gaining significant market shares especially in the knee segment
3. Growing private sector increasing overall production volume

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

Tender contract pricing affected positively by overall inflation rates due to contractual price regulation terms.

Research and development activities

All research and development are done in other group companies.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

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. We foresee growth in activity level in Q1 due to absence of covid impact. Also we expect to see increasing prices in Q1 & 2 due to tender contract regulation according to price indexation. Private sector is expected to remain at current level throughout 23.

We expect that the Gross profit in 2023 will be between DKK 53 million and DKK 55 million, the Staff costs for 2023 would be on the same level as 2022 of DKK 38 million and that the Profit for the year for 2023 will be between DKK 11 million and DKK 13 million.

Financial statements 1 January - 31 December**Income statement**

Note	DKK	<u>2022</u>	<u>2021</u>
	Gross profit	53,098,704	45,757,745
3	Staff costs	-37,857,849	-35,630,868
4	Depreciation of property, plant and equipment	-10,235	-31,039
	Profit before net financials	<u>15,230,620</u>	<u>10,095,838</u>
5	Financial expenses	-375,971	-346,302
	Profit before tax	<u>14,854,649</u>	<u>9,749,536</u>
6	Tax for the year	-3,378,598	-2,165,147
	Profit for the year	<u><u>11,476,051</u></u>	<u><u>7,584,389</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2022</u>	<u>2021</u>
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	10,235	20,470
		<u>10,235</u>	<u>20,470</u>
8	Investments		
	Deposits, investments	466,090	434,246
		<u>466,090</u>	<u>434,246</u>
	Total fixed assets	<u>476,325</u>	<u>454,716</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	31,991,495	28,303,299
	Receivables from group enterprises	66,014,495	58,949,866
9	Deferred tax assets	84,727	294,257
10	Prepayments	83,658	0
		<u>98,174,375</u>	<u>87,547,422</u>
	Cash	<u>17,610,756</u>	<u>3,703,253</u>
	Total non-fixed assets	<u>115,785,131</u>	<u>91,250,675</u>
	TOTAL ASSETS	<u>116,261,456</u>	<u>91,705,391</u>

Financial statements 1 January - 31 December**Balance sheet**

Note	DKK	<u>2022</u>	<u>2021</u>
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	983,128	983,128
	Retained earnings	76,034,739	64,558,688
	Total equity	<u>77,017,867</u>	<u>65,541,816</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	2,237,376	1,823,802
	Payables to group enterprises	24,306,976	10,911,287
	Corporation tax payable	2,045,398	2,667,414
	Other payables	10,653,839	10,761,072
		<u>39,243,589</u>	<u>26,163,575</u>
	Total liabilities other than provisions	<u>39,243,589</u>	<u>26,163,575</u>
	TOTAL EQUITY AND LIABILITIES	<u>116,261,456</u>	<u>91,705,391</u>

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

Financial statements 1 January - 31 December**Statement of changes in equity**

Note	DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	Equity at 1 January 2021	983,128	56,974,299	57,957,427
15	Transfer, see "Appropriation of profit"	0	7,584,389	7,584,389
	Equity at 1 January 2022	983,128	64,558,688	65,541,816
15	Transfer, see "Appropriation of profit"	0	11,476,051	11,476,051
	Equity at 31 December 2022	983,128	76,034,739	77,017,867

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Zimmer Biomet Denmark ApS for 2022 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)

Income statement

Revenue

The company has chosen IAS18 as interpretations for revenue recognition.

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 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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 has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash

Cash comprise of cash at bank.

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

The Company has chosen IAS 39 as interpretation for 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 statements 1 January - 31 December**Notes to the financial statements****8 Investments**

DKK	<u>Deposits, investments</u>
Cost at 1 January 2022	434,246
Additions	31,844
Cost at 31 December 2022	<u>466,090</u>
Carrying amount at 31 December 2022	<u>466,090</u>

DKK	<u>2022</u>	<u>2021</u>
9 Deferred tax		
Deferred tax at 1 January	-294,257	-365,644
Deferred tax adjustment in the year	209,530	71,387
Deferred tax at 31 December	<u>-84,727</u>	<u>-294,257</u>
Deferred tax relates to:		
Property, plant and equipment	-251,583	-294,257
Liabilities	166,856	0
	<u>-84,727</u>	<u>-294,257</u>

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%.

10 Prepayments

Prepayments include accrual of expenses relating to IT services subsequent financial years of DKK 83,658 (2021: DKK 0)

11 Share capital

Analysis of the share capital:

983,128 shares of DKK 1.00 nominal value each	<u>983,128</u>	<u>983,128</u>
	<u>983,128</u>	<u>983,128</u>

Each share carries one voting right each.

The Company's share capital has remained DKK 983,128 in the past year.

Financial statements 1 January - 31 December**Notes to the financial statements****12 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.

Other financial obligations

Other rent and lease liabilities:

DKK	2022	2021
Rent and lease liabilities	1,866,595	3,292,552

13 Collateral

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

14 Related parties

Zimmer Biomet Denmark ApS' related parties comprise the following:

Parties exercising control

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

Information about consolidated financial statements

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

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

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

DKK	2022	2021
15 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	11,476,051	7,584,389
	11,476,051	7,584,389