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Arthrex Danmark A/S

Islands Brygge 39, 1., 2300 København S

Company reg. no. 33 97 11 76

Annual report

2022/23

The annual report has been submitted and approved by the general meeting on 12 September 2023.

Torgeir Erlandsen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Country manager / director have approved the annual report of Arthrex Danmark A/S for the financial year 2022/23.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company's operations for the financial year 1 July 2022 – 30 June 2023.

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

We recommend that the annual report be approved at the Annual General Meeting.

København S, 12 September 2023

Country manager / director

Philip Axel Johannes Alm

Board of directors

Torgeir Erlandsen

Geert Jos Marcel Onan

Philip Axel Johannes Alm

Independent auditor's report

To the Shareholder of Arthrex Danmark A/S

Opinion

We have audited the financial statements of Arthrex Danmark A/S for the financial year 1 July 2022 - 30 June 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under 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 30 June 2023, and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023 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 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.

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.

Independent auditor's report

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, we conclude that 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 Management's Review.

Glostrup, 12 September 2023

PKF Munkebo Eriksen Funch

State Authorised Public Accountants
Company reg. no. 14 11 92 99

Thomas Funch

State Authorised Public Accountant
mne47782

Company information

The company

Arthrex Danmark A/S
Islands Brygge 39, 1.
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Company reg. no. 33 97 11 76
Established: 15 October 2011
Domicile: Copenhagen Municipality
Financial year: 1 July 2022 - 30 June 2023
12th financial year

Board of directors

Torgeir Erlandsen
Geert Jos Marcel Onan
Philip Axel Johannes Alm

Country manager / director

Philip Axel Johannes Alm

Auditors

PKF Munkebo Eriksen Funch, Statsautoriseret Revisionsaktieselskab
Hovedvejen 56
2600 Glostrup

Bankers

Nordea Bank, Grønvejdsvej 10, 2300 København S
Bank of America C/O SEB Bank, Bernstorffsgade 50, 1014 København

Management's review

Description of key activities of the company

Like previous years, the activities is sale of equipment for orthopaedical and related services.

Development in activities and financial matters

The result from ordinary activities after tax totals DKK 8.300.000 against DKK 2.876.000 last year. Management considers the net profit for the year satisfactory.

We are happy to look back at a strong FY23 for Arthrex in DK. We have managed to branch into new areas such as trauma while still being able to increase our market share also within our key area, sports medicine.

After quite a few extraordinary years with Covid related issues as well as a nurse strike, we have now finished a normal year in an extraordinary way with a growth of nearly 30%. All product areas contribute to the growth which is a sound development.

On a negative side we see that case numbers are significantly lower within the public healthcare system compared to before Covid, this is of course negatively affecting our business. So far, we have been able to compensate for this shortfall by branching into new areas and expanding our offering within existing areas.

Expected developments

We do not expect any extra ordinary circumstances during FY24 like previous years. The expected revenue for FY24 is in the 75MDKK range with a profitability slightly above 10MDKK. It is anticipated that private clinics will increase in production to compensate for shortfall in public sector, and hence we expect more business within this area.

Events occurring after the end of the financial year

After the financial year, no events have occurred that will significantly upset the company's financial position.

Accounting policies

The annual report for Arthrex Danmark A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Income statement

Gross profit

Gross profit comprises the revenue, cost of sales, other operating income, and external costs.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Accounting policies

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise.

Other external expenses comprise expenses incurred for sales, administration, premises and vehicles.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Equipment

Equipment is measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Equipment includes medical equipment for demo and loans (other plant and equipment) as well as other fixtures.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Accounting policies

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 July - 30 June

All amounts in DKK.

<u>Note</u>	<u>2022/23</u>	<u>2021/22</u>
Gross profit	29.861.662	21.311.983
1 Staff costs	-15.264.047	-13.119.038
Depreciation and impairment of equipment	-3.808.871	-4.127.760
Operating profit	10.788.744	4.065.185
Other financial income	133.004	-20
Other financial expenses	-215.216	-392.153
Pre-tax net profit or loss	10.706.532	3.673.012
2 Tax on net profit or loss for the year	-2.406.943	-797.343
Net profit or loss for the year	8.299.589	2.875.669
Proposed distribution of net profit:		
Transferred to retained earnings	8.299.589	2.875.669
Total allocations and transfers	8.299.589	2.875.669

Balance sheet at 30 June

All amounts in DKK.

Assets		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Non-current assets		
3 Other fixtures, fittings, tools and equipment	5.208.176	5.924.512
Total equipment	5.208.176	5.924.512
Total non-current assets	5.208.176	5.924.512
Current assets		
Manufactured goods and goods for resale	11.363.459	10.359.279
Total inventories	11.363.459	10.359.279
Trade receivables	11.516.274	13.674.249
Receivables from group enterprises	525	0
4 Deferred tax assets	1.512.917	1.599.606
Other receivables	314.037	462.733
Prepayments	254.940	400.207
Total receivables	13.598.693	16.136.795
Cash and cash equivalents	8.598.210	5.378.043
Total current assets	33.560.362	31.874.117
Total assets	38.768.538	37.798.629

Balance sheet at 30 June

All amounts in DKK.

Equity and liabilities		<u>2023</u>	<u>2022</u>
<u>Note</u>			
Equity			
	Contributed capital	501.000	501.000
	Retained earnings	21.906.879	13.607.290
	Total equity	<u>22.407.879</u>	<u>14.108.290</u>
Liabilities other than provisions			
	Other payables	0	815.317
	Total long term liabilities other than provisions	<u>0</u>	<u>815.317</u>
	Trade payables	290.388	106.115
	Payables to group enterprises	8.113.944	17.159.087
5	Income tax payable	2.698.501	1.317.110
	Other payables	5.257.826	4.292.710
	Total short term liabilities other than provisions	<u>16.360.659</u>	<u>22.875.022</u>
	Total liabilities other than provisions	<u>16.360.659</u>	<u>23.690.339</u>
	Total equity and liabilities	<u>38.768.538</u>	<u>37.798.629</u>

6 Charges and security

7 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
	<hr/>	<hr/>	<hr/>
Equity 1 July 2021	501.000	10.731.621	11.232.621
Profit or loss for the year brought forward	0	2.875.669	2.875.669
Equity 1 July 2022	<hr/> 501.000	<hr/> 13.607.290	<hr/> 14.108.290
Profit or loss for the year brought forward	0	8.299.589	8.299.589
	<hr/> 501.000	<hr/> 21.906.879	<hr/> 22.407.879

Notes

All amounts in DKK.

	<u>2022/23</u>	<u>2021/22</u>
1. Staff costs		
Salaries and wages	14.296.870	12.294.171
Pension costs	885.238	781.644
Other staff costs	81.939	43.223
	<u>15.264.047</u>	<u>13.119.038</u>
Average number of employees	<u>17</u>	<u>13</u>
2. Tax on net profit or loss for the year		
Tax of the results for the year, parent company	2.361.690	851.261
Adjustment for the year of deferred tax	58.027	-14.331
Adjustment of tax for previous years	-12.774	-39.587
	<u>2.406.943</u>	<u>797.343</u>
	<u>30/6 2023</u>	<u>30/6 2022</u>
3. Other fixtures, fittings, tools and equipment		
Cost 1 July 2022	31.856.388	31.073.894
Additions during the year	3.480.612	3.186.987
Disposals during the year	-1.794.458	-2.404.493
Cost 30 June 2023	<u>33.542.542</u>	<u>31.856.388</u>
Depreciation and write-down 1 July 2022	-25.931.876	-23.468.375
Depreciation for the year	-3.808.991	-4.127.760
Depreciation, amortisation and writedown for the year, assets disposed of	1.406.501	1.664.259
Depreciation and write-down 30 June 2023	<u>-28.334.366</u>	<u>-25.931.876</u>
Carrying amount, 30 June 2023	<u>5.208.176</u>	<u>5.924.512</u>

Notes

All amounts in DKK.

	<u>30/6 2023</u>	<u>30/6 2022</u>
4. Deferred tax assets		
Deferred tax assets 1 July 2022	1.599.606	1.521.067
Deferred tax of the results for the year	-86.689	14.331
Deferred tax recognised directly in equity	0	64.208
	<u>1.512.917</u>	<u>1.599.606</u>
The following items are subject to deferred tax:		
Equipment	1.550.737	1.594.096
Prepayments	-45.191	-27.188
Inventory write-down	7.371	32.698
	<u>1.512.917</u>	<u>1.599.606</u>
5. Income tax payable		
Income tax receivables 1 July 2022	1.302.759	971.323
Adjustment of previous years' tax	-27.105	24.621
Paid corporate tax concerning last year	-733.843	-381.764
	<u>541.811</u>	<u>614.180</u>
Income tax receivables concerning previous years	541.811	614.180
Calculated corporate tax for the present year	2.361.690	836.930
Paid tax on account for the present year	-205.000	-134.000
	<u>2.698.501</u>	<u>1.317.110</u>
6. Charges and security		
As security for a credit card, the Company has security account in the bank of DKK 150 thousand.		

Notes

All amounts in DKK.

7. Contingencies

Contingent liabilities

Lease liabilities:

In addition to finance leases, the company has entered into operational leases with an average annual lease payment of DKK 513 thousand. The leases have 6-33 months to maturity and total outstanding lease payments total DKK 914 thousand.

Rent liabilities:

The company has entered into a rent contract with an average annual rent of DKK 867 thousand. The rent contract has a 6 month notice and the total rent obligation is DKK 389 thousand.