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DELTA REPORT

10-Q

ZIMMER BIOMET HOLDINGS, I

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1705

 **CHANGES** 209

 **DELETIONS** 1088

 **ADDITIONS** 408

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **September 30, 2023** **March 31, 2024**

Commission File Number 001-16407

ZIMMER BIOMET HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-4151777

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

345 East Main Street, Warsaw, IN 46580

(Address of principal executive offices)

Telephone: (574) 373-3333

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	ZBH	New York Stock Exchange
2.425% Notes due 2026	ZBH 26	New York Stock Exchange
1.164% Notes due 2027	ZBH 27	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 2, 2023 April 22, 2024, 208,980,711 205,728,398 shares of the registrant's \$.01 par value common stock were outstanding.

ZIMMER BIOMET HOLDINGS, INC.

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September 30, 2023 March 31, 2024

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Part I – Financial Information**Item 1. Financial Statements**

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net Sales	\$ 1,753.6	\$ 1,669.8	\$ 5,454.1	\$ 5,114.8
Cost of products sold, excluding intangible asset amortization	518.6	488.2	1,545.0	1,499.2
Intangible asset amortization	145.0	131.5	416.6	395.3
Research and development	116.9	101.7	345.4	298.0
Selling, general and administrative	674.9	654.9	2,116.6	2,034.6
Intangible asset impairment	-	-	-	3.0
Restructuring and other cost reduction initiatives	24.3	28.3	90.6	129.2
Quality remediation	-	8.1	-	22.4
Acquisition, integration, divestiture and related	7.3	11.8	16.4	8.5
Operating expenses	1,487.0	1,424.5	4,530.6	4,390.2
Operating Profit	266.6	245.3	923.5	724.6
Other income (expense), net	3.8	(25.4)	10.3	(124.1)
Interest expense, net	(51.1)	(42.3)	(150.9)	(122.2)
Earnings from continuing operations before income taxes	219.2	177.6	782.8	478.3
Provision (benefit) for income taxes from continuing operations	56.4	(16.6)	177.4	56.9
Net Earnings from continuing operations	162.8	194.2	605.4	421.4

Less: Net earnings attributable to noncontrolling interest	0.2	0.2	0.6	0.7
Net Earnings from Continuing Operations of Zimmer Biomet Holdings, Inc.	162.7	194.0	604.8	420.7
Loss from discontinued operations, net of taxes	-	-	-	(58.8)
Net Earnings of Zimmer Biomet Holdings, Inc.	\$ 162.7	\$ 194.0	\$ 604.8	\$ 361.9
Earnings Per Common Share - Basic				
Earnings from continuing operations	\$ 0.78	\$ 0.92	\$ 2.89	\$ 2.01
Loss from discontinued operations	-	-	-	(0.28)
Net Earnings Per Common Share - Basic	\$ 0.78	\$ 0.92	\$ 2.89	\$ 1.73
Earnings Per Common Share - Diluted				
Earnings from continuing operations	\$ 0.77	\$ 0.92	\$ 2.88	\$ 2.00
Loss from discontinued operations	-	-	-	(0.28)
Net Earnings Per Common Share - Diluted	\$ 0.77	\$ 0.92	\$ 2.88	\$ 1.72
Weighted Average Common Shares Outstanding				
Basic	208.9	209.8	209.0	209.5
Diluted	210.0	210.3	210.1	210.2

	Three Months Ended	
	March 31,	
	2024	2023
Net Sales	\$ 1,889.2	\$ 1,831.0
Cost of products sold, excluding intangible asset amortization	512.3	500.8
Intangible asset amortization	142.1	133.4
Research and development	107.9	110.4
Selling, general and administrative	736.2	715.9
Restructuring and other cost reduction initiatives	124.4	41.8
Acquisition, integration, divestiture and related	0.4	1.3
Operating expenses	1,623.3	1,503.7
Operating Profit	265.9	327.3
Other (expense) income, net	(0.1)	7.7
Interest expense, net	(50.7)	(48.2)
Earnings before income taxes	215.1	286.8
Provision for income taxes	42.3	54.1
Net Earnings	172.8	232.8

Less: Net earnings attributable to noncontrolling interest	0.4	0.2
Net Earnings of Zimmer Biomet Holdings, Inc.	\$ 172.4	\$ 232.5
Earnings Per Common Share		
Basic	\$ 0.84	\$ 1.11
Diluted	\$ 0.84	\$ 1.11
Weighted Average Common Shares Outstanding		
Basic	205.2	209.4
Diluted	206.2	210.4

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES									
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME									
(in millions, unaudited)									
					Three Months Ended				
					September		September		
					30,		30,		
					2023	2022	2023	2022	
Net Earnings of Zimmer Biomet Holdings, Inc.					16	19	60	36	
					2.	4.	4.	1.	
					\$ 7	\$ 0	\$ 8	\$ 9	\$ 172.4
Other Comprehensive Income (Loss):									\$ 232.5
Foreign currency cumulative translation adjustments, net of tax					(2	(9	(3	(1	
					2.	5.	6.	86	
					7)	6)	7)	.4)	(35.8)
									12.4

Unrealized cash flow hedge gains, net of tax	33	53	89	13		
	.8	.9	.7	3.		
				2	34.7	8.8
Reclassification adjustments on hedges, net of tax	(1	(1	(5	(2		
	9.	4.	7.	8.		
	1)	4)	4)	4)	(18.0)	(19.0)
Adjustments to prior service cost and unrecognized actuarial assumptions, net of tax	(0.	3.	(2.	7.		
	7)	7	8)	2	(1.1)	(0.9)
Total Other Comprehensive Loss						
	(5		(7			
	(8.	2.	(7.	4.		
	7)	4)	2)	4)		
Total Other Comprehensive (Loss) Income					(20.2)	1.3
Comprehensive Income Attributable to						
Zimmer Biomet Holdings, Inc.	15	14	59	28		
	4.	1.	7.	7.		
	\$ 0	\$ 6	\$ 6	\$ 5	\$ 152.2	\$ 233.8

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts, unaudited)

ASSETS	Septe mber		Dece mber		March 31,	December 31,		
	30,		31,					
	2023	2022	2023	2022				
Current Assets:								
Cash and cash equivalents	292	375						
	\$.1	\$.7	\$ 393.0	\$ 415.8				

Accounts receivable, less allowance for credit losses	1,3	1,3		
	40.	81.		
	7	5	1,446.4	1,442.4
Inventories	2,3	2,1		
	23.	47.		
	3	2	2,388.2	2,385.2
Prepaid expenses and other current assets	415	522		
	.8	.9	403.8	366.1
Total Current Assets	4,3	4,4		
	72.	27.		
	0	3	4,631.5	4,609.5
Property, plant and equipment, net	2,0	1,8		
	32.	72.		
	2	5	2,090.9	2,060.4
Goodwill	8,7	8,5		
	10.	80.		
	4	2	8,791.5	8,818.5
Intangible assets, net	4,8	5,0		
	91.	63.		
	7	8	4,734.1	4,856.4
Other assets	1,2	1,1		
	11.	22.		
	0	2	1,204.4	1,152.1
Total Assets	21,	21,		
	217	066		
	\$.3	\$.0	\$ 21,452.4	\$ 21,496.9
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	319	354		
	\$.7	\$.1	\$ 370.3	\$ 410.6
Income taxes payable	97.	38.		
	1	5	70.3	61.2
Other current liabilities	1,2	1,4		
	99.	21.		
	8	3	1,386.3	1,485.7
Current portion of long-term debt	355	544		
	.0	.3	970.0	900.0

Total Current Liabilities	2,0	2,3		
	71.	58.		
	5	2	2,797.0	2,857.4
Deferred income taxes, net	465	474		
	.4	.8	370.4	357.6
Long-term income tax payable	403	421		
	.1	.2	275.8	273.7
Other long-term liabilities	631	632		
	.9	.6	577.0	652.1
Long-term debt	5,1	5,1		
	27.	52.		
	4	2	4,826.2	4,867.9
Total Liabilities	8,6	9,0		
	99.	39.		
	3	0	8,846.4	9,008.7

Commitments and Contingencies (Note 16)

Commitments and Contingencies (Note 15)

Stockholders' Equity:

Zimmer Biomet Holdings, Inc. Stockholders' Equity:				
Common stock, \$0.01 par value, one billion shares				
authorized, 316.0 million shares as of September 30, 2023				
(313.8 million as of December 31, 2022) issued	3.2	3.1		
Common stock, \$0.01 par value, one billion shares				
authorized, 317.2 million shares as of March 31, 2024 (316.2				
million as of December 31, 2023) issued			3.2	3.2
Paid-in capital	9,8	9,5		
	01.	04.		
	4	4	9,945.9	9,846.1
Retained earnings	10,	9,5		
	014	59.		
	.9	3	10,509.0	10,384.5
Accumulated other comprehensive loss	(18	(17		
	6.5)	9.3)	(211.2)	(191.0)
Treasury stock, 107.0 million shares as of September 30,	(7,1	(6,8		
2023 (104.8 million as of December 31, 2022)	22.	67.		
	2)	2)		

Treasury stock, 111.5 million shares as of March 31, 2024 (110.6 million as of December 31, 2023)			(7,648.9)		(7,562.3)
Total Zimmer Biomet Holdings, Inc. stockholders' equity	12,510.8	12,020.3			
			12,598.0		12,480.5
Noncontrolling interest	7.2	6.7		8.1	7.7
Total Stockholders' Equity	12,518.0	12,027.0			
			12,606.0		12,488.1
Total Liabilities and Stockholders' Equity	21,217.3	21,066.0			
			\$ 21,452.4		\$ 21,496.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except per share amounts, unaudited)

Zimmer Biomet Holdings, Inc. Stockholders																			
Accumulated																			
ed																			
Other																			
Total																			
Comprehensive																			
Noncontrol																			
Stockholders'																			
Common Shares		Paid-in		Retained		Treasury Shares		Noncontrolling		Stockholders'									
Number		Amount		Capital		Earnings		Income		Number		Amount		Interest		Equity			
Balance July 1, 2023		315.8	\$ 3.2	\$ 9,766.0	\$ 9,902.3	\$ (177.8)		(107.0)	\$ (7,122.2)	\$ 7.1									12,378.6
Net earnings					162.7												0.2		162.9
Other comprehensive loss						(8.7)												(8.7)	

Cash dividends declared					(50.1)							(50.1)
(\$0.24 per share)												
Stock compensation plans	0.2			35.4								35.4
Embody, Inc. acquisition												
consideration												
Share repurchases												
Balance September 30,												
2023	316.0	3.2	9,801.4	10,014.9	(186.5)	(107.0)	(7,122.2)	7.2	12,518.0			
Balance July 1, 2022	313.4	\$ 3.1	\$ 9,418.8	\$ 9,606.5	\$ (192.5)	(103.8)	\$ (6,717.5)	\$ 6.2	\$ 12,124.6			
Net earnings					194.0						0.2	194.2
Other comprehensive loss						(52.4)						(52.4)
Cash dividends declared												
(\$0.24 per share)					(50.4)							(50.4)
Spinoff of ZimVie Inc.					(10.4)							(10.4)
Stock compensation plans	0.2		45.1	0.2				0.2				45.5
Balance September 30,												
2022	313.6	\$ 3.1	\$ 9,463.9	\$ 9,739.9	\$ (244.9)	(103.8)	\$ (6,717.3)	\$ 6.4	\$ 12,251.1			
Balance January 1, 2023	313.8	\$ 3.1	\$ 9,504.4	\$ 9,559.3	\$ (179.3)	(104.8)	\$ (6,867.2)	\$ 6.7	\$ 12,027.0			
Net earnings					604.8						0.6	605.4
Other comprehensive loss						(7.2)						(7.2)
Cash dividends declared												
(\$0.72 per share)					(150.6)							(150.6)
Stock compensation plans	1.0		148.9	1.4				1.0				151.3
Embody, Inc. acquisition												
consideration	1.2	0.1	150.4									150.5
Share repurchases			(2.3)					(2.2)				(258.3)
Balance September 30,												
2023	316.0	\$ 3.2	\$ 9,801.4	\$ 10,014.9	\$ (186.5)	(107.0)	\$ (7,122.2)	\$ 7.2	\$ 12,518.0			
Balance January 1, 2022	312.8	\$ 3.1	\$ 9,314.8	\$ 10,292.2	\$ (231.6)	(103.8)	\$ (6,717.8)	\$ 5.7	\$ 12,666.4			
Net earnings					361.9						0.7	362.6
Other comprehensive loss						(74.4)						(74.4)
Cash dividends declared												
(\$0.72 per share)					(151.1)							(151.1)

Reclassifications of net investment hedges	-	-	-	-	-	25.9	-	-	-	-	25.9
Spinoff of ZimVie Inc.	-	-	-	-	(763.4)	35.2	-	-	-	-	(728.2)
Stock compensation plans	0.8	-	149.1	0.3	-	-	0.5	-	-	-	149.9

Balance September 30,

2022 **313.6** **\$ 3.1** **\$ 9,463.9** **\$ 9,739.9** **\$ (244.9)** **(103.8)** **\$ (6,717.3)** **\$ 6.4** **\$ 12,251.1**

Zimmer Biomet Holdings, Inc. Stockholders											
Accumulated Other Comprehensive Income (Loss)											
Common Shares		Paid-in Capital		Retained Earnings		Treasury Shares		Noncontrolling Interest		Total Stockholders' Equity	
Number	Amount	Capital	Earnings	Income	(Loss)	Number	Amount	Interest	Equity		
Balance January 1, 2024	316.2	\$ 3.2	\$ 9,846.1	\$ 10,384.5	\$ (191.0)	(110.6)	\$ (7,562.3)	\$ 7.7	\$ 12,488.1		
Net earnings	-	-	-	172.4	-	-	-	-	0.4	-	172.8
Other comprehensive loss	-	-	-	-	(20.2)	-	-	-	-	-	(20.2)
Cash dividends declared											
(\$0.24 per share)	-	-	-	(49.3)	-	-	-	-	-	-	(49.3)
Stock compensation plans	0.8	-	76.4	1.4	-	-	-	1.4	-	-	79.2
Embody, Inc. acquisition consideration	0.2	-	23.4	-	-	-	-	-	-	-	23.4
Share repurchases	-	-	-	-	-	(0.9)	(88.0)	-	-	-	(88.0)
Balance March 31, 2024	317.2	\$ 3.2	\$ 9,945.9	\$ 10,509.0	\$ (211.2)	(111.5)	\$ (7,648.9)	\$ 8.1	\$ 12,606.0		
Balance January 1, 2023	313.8	\$ 3.1	\$ 9,504.4	\$ 9,559.3	\$ (179.3)	(104.8)	\$ (6,867.2)	\$ 6.7	\$ 12,027.0		
Net earnings	-	-	-	232.5	-	-	-	-	0.2	-	232.8
Other comprehensive income	-	-	-	-	1.3	-	-	-	-	-	1.3
Cash dividends declared											
(\$0.24 per share)	-	-	-	(50.4)	-	-	-	-	-	-	(50.4)
Stock compensation plans	0.5	-	55.4	0.3	-	-	-	0.3	-	-	56.0

Embody, Inc. acquisition consideration	1.1	0.1	134.9	-	-	-	-	-	135.0
Share repurchases	-	-	(2.3)	-	-	(2.1)	(241.7)	-	(244.0)
Balance March 31, 2023	315.4	\$ 3.2	\$ 9,692.4	\$ 9,741.7	\$ (178.0)	(106.9)	\$ (7,108.6)	\$ 6.9	\$ 12,157.6

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023		2024	
	2023	2022	2024	2023
Cash flows provided by (used in) operating activities from continuing operations:				
Net earnings from continuing operations	\$ 605.4	\$ 421.4		
Adjustments to reconcile net earnings from continuing operations to cash provided by operating activities from continuing operations:				
Depreciation and amortization	710.5	697.9	238.6	231.8
Share-based compensation	74.5	78.2	29.0	25.0
Intangible asset impairment	-	3.0		
(Gain) loss on investment in ZimVie Inc.	(2.5)	114.3		

Changes in operating assets and liabilities, net of acquired assets and liabilities				
Income taxes	23.4	(12.4)	(8.6)	21.5
Receivables	15.5	(114.5)	(22.7)	8.6
Inventories	(212.2)	(63.5)	(55.3)	(94.2)
Accounts payable and accrued liabilities	(219.5)	(1.6)	(119.4)	(91.8)
Other assets and liabilities	(2.0)	(10.8)	(6.4)	(26.0)
Net cash provided by operating activities from continuing operations	993.2	1,112.0		
Cash flows provided by (used in) investing activities from continuing operations:				
Net cash provided by operating activities			228.0	307.7
Cash flows provided by (used in) investing activities:				
Additions to instruments	(232.8)	(192.2)	(82.0)	(82.8)
Additions to other property, plant and equipment	(228.3)	(124.5)	(55.1)	(46.7)
Net investment hedge settlements	27.2	71.2	10.2	13.4
Acquisition of intellectual property rights	(86.4)	-	(12.5)	(14.0)
Business combination investments, net of acquired cash	(32.9)	(99.8)	-	(18.9)
Other investing activities	(5.0)	(64.2)	(55.6)	(0.3)
Net cash used in investing activities from continuing operations	(558.1)	(409.5)		
Cash flows provided by (used in) financing activities from continuing operations:				
Net payments on revolving facilities	(20.0)	-		
Net cash used in investing activities			(195.0)	(149.4)
Cash flows provided by (used in) financing activities:				
Net proceeds from revolving facilities			70.0	210.0
Redemption of senior notes	(86.3)	(750.0)	-	(86.3)
Proceeds from term loan	-	83.0		
Payments on term loans	(33.9)	(242.9)		
Payment on term loan			-	(33.9)

Dividends paid to stockholders	(150.7)	(150.8)	(49.4)	(50.3)
Proceeds from employee stock compensation plans	81.8	63.2	56.4	36.0
Distribution from ZimVie Inc.	-	540.6		
Business combination contingent consideration payments	(10.3)	-	(1.5)	(9.6)
Deferred business combination payments	(4.0)	-	(1.5)	-
Repurchase of common stock	(281.9)	-	(113.6)	(267.6)
Other financing activities	(6.8)	(5.4)	(10.5)	(5.1)
Net cash used in financing activities from continuing operations	(512.1)	(462.3)		
Cash flows provided by (used in) discontinued operations:				
Net cash used in operating activities	-	(71.5)		
Net cash used in investing activities	-	(7.2)		
Net cash used in financing activities	-	(68.1)	(50.1)	(206.7)
Net cash used in discontinued operations	-	(146.8)		
Effect of exchange rates on cash and cash equivalents	(6.5)	(26.5)	(5.7)	2.9
Change in cash and cash equivalents	(83.5)	66.9	(22.7)	(45.5)
Cash and cash equivalents, beginning of year (includes \$100.4 at January 1, 2022 of discontinued operations cash)	375.7	478.5		
Cash and cash equivalents, beginning of year			415.8	375.7
Cash and cash equivalents, end of period	\$ 292.1	\$ 545.4	\$ 393.0	\$ 330.2

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The financial data presented herein is unaudited and should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

In our opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. The **December 31, 2022** **December 31, 2023** condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). Results for interim periods should not be considered indicative of results for the full year.

Amounts reported in millions within this Quarterly Report on Form 10-Q are computed based on the actual amounts. As a result, the sum of the components may not equal the total amount reported in millions due to rounding. In addition, certain columns and rows within tables may not sum to the totals due to the use of rounded numbers. Percentages presented are calculated from the underlying unrounded amounts.

Risks and Uncertainties - Our results have been and may continue to be impacted by the COVID-19 global pandemic. The vast majority of our net sales are derived from products used in elective surgical procedures which may get deferred due to precautions in certain markets if there is a surge in infections. Although the effects of the COVID-19 pandemic on our operating results continue to subside, the pandemic could still have an unfavorable effect on our financial position, results of operations and cash flows.

Spinoff - On March 1, 2022, we completed the previously announced separation of our spine and dental businesses into a new public company through the distribution by Zimmer Biomet of 80.3% of the outstanding shares of common stock of ZimVie Inc. ("ZimVie") to Zimmer Biomet's stockholders. We disposed of our remaining shares of ZimVie in February 2023. The historical results of our spine and dental businesses that were contributed to ZimVie in the spinoff have been reflected as discontinued operations in our condensed consolidated financial statements through the date of the spinoff in 2022 as the spinoff represented a strategic shift in our business that had a major effect on operations and financial results. The disclosures presented in our notes to the interim condensed consolidated financial statements are presented on a continuing operations basis.

The words "we," "us," "our" and similar words, "Zimmer Biomet" and "the Company" refer to Zimmer Biomet Holdings, Inc. and its subsidiaries. "Zimmer Biomet Holdings" refers to the parent company only.

We reclassified the loss on investment in ZimVie in the prior period condensed consolidated statement of cash flows to conform to the current period presentation.

2. Discontinued Operations and Related ZimVie Matters

On March 1, 2022, we completed the previously announced separation of our spine and dental businesses through the distribution of 80.3% of the outstanding shares of common stock of ZimVie to our stockholders at the close of business on

February 15, 2022 (the "Record Date"). The distribution was made in the amount of one share of ZimVie common stock for every ten shares of our common stock owned by our stockholders at the close of business on the Record Date. Fractional shares of ZimVie common stock were not issued but instead were aggregated and sold in the open market with the proceeds being distributed pro rata in lieu of such fractional shares.

In the fourth quarter of 2021, ZimVie entered into a credit agreement with a financial institution providing for revolving loans of up to \$175.0 million and term loan borrowings of up to \$595.0 million. On February 28, 2022, prior to separation, ZimVie borrowed the entire \$595.0 million available under the term loan. Approximately \$540.6 million of this amount was paid by ZimVie to Zimmer Biomet in the form of a dividend at separation which is included in our cash flows from financing activities in the condensed consolidated statements of cash flows. We used proceeds from the dividend, along with cash on hand and proceeds from a draw on our revolving credit facility, to repay our 3.150% Senior Notes due 2022 which had an outstanding principal balance of \$750.0 million.

In connection with the spinoff, we entered into definitive agreements with ZimVie that, among other things, set forth the terms and conditions of the separation and distribution. These agreements include a Transition Services Agreement (the "TSA"), a

Transition Manufacturing and Supply Agreement (the "TMA"), a Reverse Transition Manufacturing and Supply Agreement (the "Reverse TMA"), and various other agreements each dated as of March 1, 2022.

Pursuant to the TSA, both we and ZimVie agree to provide certain services to each other, on an interim, transitional basis from and after the separation and the distribution. The services include certain regulatory services, commercial services, operational services, tax services, clinical affairs services, information technology services, finance and accounting services and human resource and employee benefits services. The remuneration to be paid for such services is generally intended to allow the company providing the services to recover all of its costs and expenses of providing such services. The TSA will terminate on the expiration of the term of the last service provided thereunder, which will generally be no later than March 31, 2025. However, we expect most TSA services will be completed by the end of 2023.

Pursuant to the TMA and the Reverse TMA, Zimmer Biomet or ZimVie, as the case may be, will manufacture or cause to be manufactured certain products for the other party, on an interim, transitional basis. Pursuant to such agreements, Zimmer Biomet or ZimVie, as the case may be, will be required to purchase certain minimum amounts of products from the other party. Each of the TMA and the Reverse TMA has a two-year term, with a one-year extension possible upon mutual agreement of the parties.

We recognize any gains or losses from the TSA and the TMA in the Acquisition, integration, divestiture and related line item in our condensed consolidated statements of earnings. Amounts included in the condensed consolidated statements of earnings related to these agreements for the three and nine-month periods ended September 30, 2023 and 2022 were immaterial.

We initially retained approximately 5.1 million common shares of ZimVie in connection with the spinoff, representing approximately 19.7 percent of ZimVie's outstanding common shares on the separation date. Given our inability to exert significant influence over ZimVie, we recognized this investment at fair value in prepaid expenses and other current assets

on our condensed consolidated balance sheet. Changes to the fair value of the investment were recognized in non-operating other (expense) income, net, in subsequent periods. We disposed of these shares in February 2023. In the nine-month period ended September 30, 2023, we recognized a gain of \$2.5 million related to our investment in ZimVie. In the three and nine-month periods ended September 30, 2022, we recognized losses of \$30.0 million and \$114.3 million, respectively, related to our investment in ZimVie.

On August 31, 2022, we borrowed an aggregate principal amount of \$83.0 million under a short-term credit agreement (the "Short-Term Term Loan") with a third-party financial institution, the proceeds of which were used to repay certain of our existing indebtedness. On September 1, 2022, we entered into a forward exchange agreement and pledge agreement (collectively the "Forward Exchange Agreement") with the same financial institution to deliver to them our 5.1 million shares of ZimVie common stock in the first quarter of 2023. We pledged our 5.1 million shares of ZimVie common stock to the financial institution as collateral for our obligations under the Short-Term Term Loan and the Forward Exchange Agreement.

In February 2023, we repaid in full the Short-Term Term Loan by transferring our ZimVie common shares to the financial institution counterparty to settle the Forward Exchange Agreement and by paying \$33.9 million in cash, representing an amount determined by the difference between the average daily volume-weighted average price of the ZimVie shares over the outstanding term of the Forward Exchange Agreement and the principal amount of \$83.0 million. The transfer of our ZimVie common shares as part of the settlement resulted in a \$49.1 million noncash financing activity for the nine-month period ended September 30, 2023.

The Forward Exchange Agreement was accounted for at fair value, with changes in fair value recognized in non-operating other (expense) income, net and was included in the net gain related to our investment in ZimVie for the nine-month-period ended September 30, 2023, as discussed above. The most significant input into the valuation of the Forward Exchange Agreement was the market price of the ZimVie shares. The fair value of the Forward Exchange Agreement as of December 31, 2022 was \$1.1 million and was included within prepaid expenses and other current assets on our condensed consolidated balance sheet.

As discussed in Note 1, Basis of Presentation, the results of our spine and dental businesses have been reflected as discontinued operations through the date of the spinoff in the prior year period. Details of loss from discontinued operations included in our condensed consolidated statements of earnings are as follows (in millions):

	Nine Months Ended	
	September 30,	
	2022	
Net Sales	\$	147.8
Cost of products sold, excluding intangible asset amortization		53.5
Intangible asset amortization		14.0
Research and development		10.5
Selling, general and administrative		89.4
Restructuring and other cost reduction initiatives		0.4

Acquisition, integration, divestiture and related	40.9
Other expense, net	0.3
Loss from discontinued operations before income taxes	(61.2)
Benefit for income taxes from discontinued operations	(2.4)
Loss from discontinued operations, net of tax	\$ (58.8)

In a pro rata spinoff of consolidated subsidiaries, the distribution of the assets and liabilities are recognized through equity

instead of net earnings. Accordingly, we recognized the distribution of net assets to ZimVie in retained earnings.

Additionally, the dividend we received from ZimVie at the separation was also recognized in retained earnings.

3. Significant Accounting Policies

Use of Estimates - The accompanying unaudited condensed consolidated financial statements are prepared in conformity with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We have made our best estimates, as appropriate under GAAP, in the recognition of our assets and liabilities. Actual results could differ materially from these estimates.

Accounting Pronouncements Not Yet Adopted - **There** In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Improvements to Reportable Segment Disclosures, which is an amendment to ASC Topic 280 - Segment Reporting. The ASU requires more detailed and disaggregated segment information, including the disclosure of significant segment expense categories and amounts for each reportable segment. The ASU also requires certain annual disclosures to also be made in interim periods. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods for fiscal years beginning after December 15, 2024. The guidance will be applied retrospectively unless retrospective adoption is impracticable. Early adoption of this ASU is permitted. We are **no** recently issued accounting pronouncements that we currently evaluating the impact this ASU will have **not yet** adopted that are expected to have a material effect on our financial **position, results statements and disclosures**.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures, which is an amendment to ASC Topic 740 - Income Taxes. The ASU improves the transparency of **operations or cash flows**, income tax disclosures by requiring greater disaggregated information about an entity's effective tax rate reconciliation and requiring additional disclosures and disaggregation of income taxes, among other amendments to improve the effectiveness of income tax disclosures. The ASU is effective for fiscal years beginning after December 15, 2024. The guidance will be applied prospectively with an option to apply the guidance retrospectively. Early adoption of this ASU is permitted. We are currently evaluating the impact this ASU will have on our financial statements and disclosures.

4.3. Revenue

Net sales by geography are as follows (in millions):

	Three Months Ended		Nine Months Ended		Three Months Ended			
	September 30,		September 30,		March 31,		2024	
	2023	2022	2023	2022	2023	2022	2023	2024
	United States	1,03	973.	3,16	2,93	\$ 1.4	\$ 0	\$ 1,099.2
International	722.	696.	2,29	2,18	790.0			\$ 1,060.4
Total	2	8	3.5	3.0				770.6
	1,75	1,66	5,45	5,11				
	\$ 3.6	\$ 9.8	\$ 4.1	\$ 4.8	\$ 1,889.2	\$ 1,831.0	\$	

Net sales by product category are as follows (in millions):

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	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Knees	\$ 706.3	\$ 657.0	\$ 2,240.1	\$ 2,024.7				
Hips	465.3	468.0	1,462.5	1,406.2				
S.E.T.	423.2	409.4	1,299.3	1,272.6				
Other	158.8	135.4	452.2	411.3				
Total	\$ 1,753.6	\$ 1,669.8	\$ 5,454.1	\$ 5,114.8				
Three Months Ended								
March 31,				2024				
Knees		\$ 788.1	\$ 762.5					
Hips		491.2	492.8					
S.E.T.		452.6	433.4					
Other		157.3	142.3					
Total		\$ 1,889.2	\$ 1,831.0					

S.E.T. includes sales from our Sports Medicine, Extremities, Trauma, Craniomaxillofacial and Thoracic ("CMFT") product categories. Other includes sales from our Technology, Surgical and Bone Cement product categories.

This net sales presentation differs from our reportable operating segments, which are based upon our senior management organizational structure and how we allocate resources toward achieving operating profit goals. Each of our reportable operating

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segments sells all the product categories noted above. Accordingly, the only difference from the presentation above and our reportable operating segments are the geographic groupings.

5.4. Restructuring

In December 2023, our management approved a new global restructuring program (the "2023 Restructuring Plan") intended to optimize our cost structure and drive greater efficiencies throughout the company. The 2023 Restructuring Plan is expected to result in total pre-tax restructuring charges of approximately \$120 million. The pre-tax restructuring charges consist of employee termination benefits; contract terminations for sales agents; and other charges, such as consulting fees. The expenses incurred under our 2023 Restructuring Plan are reported in our "Restructuring and other cost reduction initiatives" financial statement line item. The charges incurred in the three-month period ended March 31, 2024 were primarily the result of finalizing, obtaining approval and, where applicable, communicating certain restructuring plans. The following table summarizes the liabilities recognized related to the 2023 Restructuring Plan (in millions):

	Employee					
	Termination		Contract			
	Termination					
	Benefits		Other	Total		
Balance, December 31, 2023	\$ 9.2	\$ -	\$ 5.0	\$ 14.2		
Expenses incurred in the three months ended March 31, 2024	71.0	1.8	6.8	79.6		
Cash payments	(23.5)	-	(1.3)	(24.8)		
Foreign currency exchange rate changes	(0.4)	-	-	(0.4)		
Non-cash activity	-	-	1.2	1.2		
Balance, March 31, 2024	<u>\$ 56.3</u>	<u>\$ 1.8</u>	<u>\$ 11.7</u>	<u>\$ 69.8</u>		
Expense incurred since the start of the 2023 Restructuring Plan	\$ 80.2	\$ 1.8	\$ 10.4	\$ 92.4		
Expense estimated to be recognized for the 2023 Restructuring Plan	\$ 90.0	\$ 10.0	\$ 20.0	\$ 120.0		

In December 2021, our management approved a global restructuring program (the “2021 Restructuring Plan”) intended to further reduce costs and to reorganize our global operations in preparation for the spinoff of ZimVie. The 2021 Restructuring Plan is expected to result in total pre-tax restructuring charges of approximately \$185 180 million. The pre-tax restructuring charges consist of employee termination benefits; contract terminations for sales agents; and other charges, such as consulting fees and project management expenses. The expenses incurred under our 2021 Restructuring Plan are reported in our “Restructuring and other cost reduction initiatives” financial statement line item. The following table summarizes the liabilities recognized related to the 2021 Restructuring Plan (in millions):

	Employee				Employee			
	Termination	Contra			Termination		Contract	
		Benefit	Termination	Other				
		ts	ations	er	Total	Benefits	Terminations	Other
Expenses incurred in the three months ended September 30, 2023				3.	9.			
		\$ 1.0	\$ 4.5	\$ 5	\$ 0			
Balance, December 31, 2022		10.		3.	38			
		\$ 5	\$ 25.0	\$ 1	\$.6			
Expenses incurred in the nine months ended September 30, 2023				7.	33			
		4.9	20.7	6	.2			
Balance, December 31, 2023						\$ 4.2	\$ 17.6	\$ 2.9
Expenses incurred in the three months ended March 31, 2024								\$ 24.7
Cash payments						(0.4)	-	1.3
								0.9
Foreign currency exchange rate changes						(0.8)	(7.3)	(1.5)
								(9.6)
Balance, September 30, 2023						(0.1)	(0.4)	-
								(0.5)
		\$ 5.8	\$ 22.2	\$ 4	\$.4			

Balance, March 31, 2024		\$ 2.9	\$ 9.9	\$ 2.7	\$ 15.5
Expense incurred since the start of the 2021 Restructuring Plan	3 16				
	58.	4. 5.			
	\$ 0 \$ 72.5	\$ 5 \$ 0	\$ 58.7	\$ 73.8	\$ 37.5 \$ 170.0
Expense estimated to be recognized for the 2021 Restructuring Plan	3 18				
	70.	5. 5.			
	\$ 0 \$ 80.0	\$ 0 \$ 0	\$ 60.0	\$ 80.0	\$ 40.0 \$ 180.0

In December 2019, our Board of Directors approved, and we initiated, a global restructuring program (the "2019 Restructuring Plan") with an objective of reducing structural costs to allow us to further invest in higher priority growth opportunities. The 2019 Restructuring Plan is expected to result in total pre-tax restructuring charges of approximately \$370 million. The pre-tax restructuring charges consist of employee termination benefits; contract terminations for facilities and sales agents; and other charges, such as consulting fees, project management expenses and relocation costs, including costs to close a manufacturing facility.

The following table summarizes the location on our condensed consolidated statement of earnings and type of cost for our 2019 Restructuring Plan (in millions):

	Three Months Ended September 30, 2023				Three Months Ended March 31, 2024							
	Employee		Employee									
	Termination	Contract	Termination	Contract								
	Benefit	Termination	Other		Benefits	Terminations	Other	Total				
				Total								
Cost of products sold, excluding intangible asset amortization			3.	3.								
	\$ -	\$ -	\$ 0	\$ 0	\$ -	\$ -	\$ 0.5	\$ 0.5				
Restructuring and other cost reduction initiatives			1.	5.								
	3.2	-	9	1	14.7	-	1.8	16.5				
			4.	8.								
	\$ 3.2	\$ -	\$ 9	\$ 1	\$ 14.7	\$ -	\$ 2.3	\$ 17.0				

Nine Months Ended September 30, 2023				
Employee				
Termination	Contract			
Benefit	Termination	Other		
s	tions	r	Total	
Cost of products sold, excluding intangible asset amortization		3.	3.	
Restructuring and other cost reduction initiatives	\$ -	\$ 0	\$ 0	
	2.1	- .4	.5	
	20	22		
	<u>\$ 2.1</u>	<u>\$ - .4</u>	<u>\$.5</u>	

The following table summarizes the liabilities recognized related to the 2019 Restructuring Plan (in millions):

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	Employee				Employee			
	Termination	Contract	Termination	Contract	Benefits	Terminations	Other	Total
	s	tions	Other	Total				
Balance, December 31, 2022			44.					
	\$ 28.9	\$ 9.0	\$ 6.4	\$ 3				
Expenses incurred in the nine months ended September 30, 2023			20.	22.				
	2.1	- .4	.5					
Balance, December 31, 2023			\$ 43.8	\$ 5.6	\$ 2.9	\$ 52.3		
Expenses incurred in the three months ended March 31, 2024			14.7		- .2.3	17.0		
Cash payments			(2)	(2)				
	(2.9)	(2.5)	2.8	8.2				
Foreign currency exchange rate changes	0.9	- .	- .	0.9	(0.5)	- .	(0.5)	
Balance, September 30, 2023			\$ 29.0	\$ 6.5	\$ 4.0	\$ 5		

Balance, March 31, 2024		\$ 58.0	\$ 5.1	\$ 1.7	\$ 64.8
Expense incurred since the start of the 2019 Restructuring Plan	110. 15 30 \$ 4 \$ 35.0 \$ 5.0 \$ 0.4	\$ 140.4	\$ 35.0	\$ 161.0	\$ 336.4
Expense estimated to be recognized for the 2019 Restructuring Plan	155. 18 37 \$ 0 \$ 35.0 \$ 0.0 \$ 0.0	\$ 155.0	\$ 35.0	\$ 180.0	\$ 370.0

We do not include restructuring charges in the operating profit of our reportable segments. We report the expenses for other cost reduction and optimization initiatives in our “Restructuring and other cost reduction initiatives” financial statement line item because

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these activities also have the goal of reducing costs across the organization. However, since the cost reduction initiative expenses are not considered restructuring, they have been excluded from the amounts presented in this note.

6.5. Inventories

	September 30,	December 31,	March 31,		December 31,
	2023	2022	2024		2023
	(in millions)				(in millions)
Finished goods	\$ 1,769.9	\$ 1,655.0	\$ 1,846.7		\$ 1,831.2
Work in progress	251.9	230.9	226.7		246.5
Raw materials	301.5	261.3	314.8		307.5
Inventories	\$ 2,323.3	\$ 2,147.2	\$ 2,388.2		\$ 2,385.2

7.6. Property, Plant and Equipment

	September	December	March 31,		December 31,
	30,	31,	2024		2023
	2023	2022			(in millions)

Land	\$ 17.5	\$ 19.2	\$ 18.8	\$ 18.9
Buildings and equipment	2,158.8	2,093.4	2,254.1	2,245.9
Capitalized software costs	556.9	518.2	555.2	552.2
Instruments	3,670.6	3,683.5	3,814.6	3,748.6
Construction in progress	242.8	144.1	206.4	200.6
	6,646.6	6,458.4	6,849.1	6,766.2
Accumulated depreciation	(4,614.4)	(4,585.9)	(4,758.2)	(4,705.8)
Property, plant and equipment, net	\$ 2,032.2	\$ 1,872.5	\$ 2,090.9	\$ 2,060.4

We had \$24.2 25.3 million and \$17.0 30.8 million of property, plant and equipment included in accounts payable as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

8.7. Acquisitions

On February 14, 2023, we completed the acquisition of all the outstanding shares of Embody, Inc. ("Embody"), a medical device company focused on soft tissue healing, that expands our portfolio for the sports medicine market. The initial consideration consisted of the issuance of 1.1 million shares of our common stock valued at \$135.0 million and \$19.5 million of cash for a total value of \$154.5 million. The fair value of our common stock was determined to be \$127.34 per share, which represented the average of our high and low stock prices on the acquisition date. To minimize dilution from issuing shares for the Embody acquisition, we repurchased 1.9 million shares of our common stock in the three-month period ended March 31, 2023. The Embody acquisition includes additional consideration of up to \$120.0 million in fair value of our common shares and cash, subject to achieving a future regulatory milestone after closing and commercial milestones based on sales growth over a three-year period. We assigned a fair value of \$94.0 million for

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this contingent consideration as of the acquisition date. The estimated fair value of the contingent consideration liability was calculated based on the probability of achieving the specified regulatory milestone and by simulating numerous potential outcomes for the commercial milestones and discounting to present value the estimated payments.

On April 28, 2023, we completed the acquisition of all the outstanding shares of a privately held orthopedics medical device company that expands our portfolio in the orthopedics market ("April 2023 acquisition"). The initial consideration consisted of \$15.0 million of cash and includes consideration of up to \$8.0 million in cash, subject to achieving future regulatory milestones.

On October 6, 2023, we completed the acquisition of all the outstanding shares of a privately held orthopedics medical device company that provides us new surgical technology that can be used in procedures across multiple product categories ("October 2023 acquisition"). The initial consideration consisted of \$42.2 million of cash and includes additional

consideration of up to \$33.0 million in cash contingent upon achieving certain commercial milestones based on sales growth over a three-year period. We assigned a fair value of \$21.5 million for this contingent consideration as of the acquisition date. The estimated fair value of the contingent liability was calculated based on the probability of achieving the commercial milestones and discounting to present value the estimated payments.

On November 15, 2023, we completed the acquisition of a privately held technology company by acquiring certain assets, liabilities and employees of the technology company ("November 2023 acquisition"). The November 2023 acquisition expands our

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technology and data capabilities and solutions across multiple product categories to better serve our customers. The initial consideration consisted of \$60.7 million of cash and includes additional consideration of up to \$20.0 million in cash contingent upon achieving a commercial milestone based on a certain sales target which must be achieved by December 31, 2025. We assigned a fair value of \$15.0 million for this contingent consideration as of the acquisition date. The estimated fair value of the contingent liability was calculated based on the probability of achieving the commercial milestone and discounting to present value the estimated payment.

These acquisitions are collectively referred to in this report as the "2023 acquisitions". Refer to Note 11 for information regarding the issuance of common stock and cash payments related to the contingent consideration liabilities that have occurred subsequent to the acquisition dates.

The goodwill related to the 2023 acquisitions represents the excess of the consideration transferred over the fair value of the net assets acquired. The goodwill related to the 2023 acquisitions is generated from the operational synergies and cross-selling opportunities we expect to achieve from the technologies acquired. The A portion of the goodwill related to the 2023 acquisitions is not expected to be deductible for U.S. income tax purposes. The goodwill related to the Embody, acquisition the October 2023 and the November 2023 acquisitions is included in the Americas operating segment and the Americas Orthopedics reporting unit. The goodwill related to the April 2023 acquisition is included in the Asia Pacific operating segment and reporting unit. The goodwill related to the 2023 acquisitions Embody acquisition was the only significant activity related to our consolidated goodwill balance in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2023, other than changes related to foreign currency exchange rate translation adjustments. Foreign currency exchange translations adjustments were the only significant activity impacting goodwill for the three-month period ended March 31, 2024.

The purchase price allocation for the Embody acquisition was final as of March 31, 2024. The purchase price allocations for the other 2023 acquisitions are preliminary as of September 30, 2023 March 31, 2024. We need additional

time to evaluate the tax attributes of **the those** transactions, which may change the recognized tax assets and liabilities. We are also evaluating certain contingent liabilities as of the respective acquisition dates. There may be differences between the preliminary estimates of fair value and the final acquisition accounting. The final estimates of fair value are expected to be completed as soon as possible, but no later than one year after the respective acquisition dates.

The following table summarizes the **preliminary** estimates of fair value of the assets acquired and liabilities assumed related to the 2023 acquisitions (in millions):

Current assets	\$ 4.9	\$ 13.1
Intangible assets subject to amortization:		
Technology	98.8	144.0
Trademarks and trade names		3.5
Customer relationships	9.4	40.1
Intangible assets not subject to amortization:		
In-process research and development (IPR&D)	36.3	36.3
Goodwill	149.3	215.0
Other assets	4.5	4.8
Total assets acquired	303.3	456.8
Current liabilities	1.2	8.2
Deferred income taxes	30.6	37.7
Total liabilities assumed	31.8	45.9
Net assets acquired	\$ 271.5	\$ 410.9

The **weighted average** amortization periods selected for technology, **and** customer relationships **and** trademarks **and** trade names were 15 years, 8 years and 5 years **13** years, respectively. Upon receiving regulatory approval subsequent to the Embody acquisition date, the \$36.3 million of IPR&D was reclassified to a definite-lived intangible asset and began amortizing over the applicable estimated useful life.

In the **three and nine-month periods** **three-month period** ended **September 30, 2023** **March 31, 2024**, there were no material adjustments to the preliminary values of the 2023 acquisitions.

On April 18, 2022, we completed the acquisition of all the outstanding shares of a privately held sternal closure company. The acquisition was completed primarily to expand our product offerings in the CMFT market. The total aggregate cash consideration paid at closing was \$100.0 million, with an additional \$11.0 million of deferred payments to be made over the following two years of which \$4.0 million was paid in the nine-month period ended September 30, 2023.

The goodwill related to this acquisition represents the excess of the consideration transferred over the fair value of the net assets acquired. The goodwill is related to the operational synergies we expect to achieve from combining the companies and the cash flows

from future, undefined, development projects. The goodwill is included in the Americas operating segment and the Americas CMFT reporting unit. A portion of the goodwill is expected to be deductible for U.S. income tax purposes.

The following table summarizes the aggregate final estimates of fair value of the assets acquired and liabilities assumed related to this acquisition (in millions):

Current assets	\$	3.8
Intangible assets subject to amortization:		
Technology		42.8
Customer relationships		12.3
Goodwill		48.3
Other assets		4.9
Total assets acquired		112.1
Current liabilities		1.1
Total liabilities assumed		1.1
Net assets acquired	\$	111.0

The amortization periods selected for technology and customer relationships were 10 years and 4 years, respectively.

We have not included pro forma information and certain other information under GAAP for these acquisitions because they did not have a material impact on our financial position or results of operations.

In the nine-month period ended September 30, 2023, we entered into agreements to acquire intellectual property through the buyout of certain licensing arrangements. These new agreements and the related payments replace the variable royalty payments that otherwise would have been due under the terms of previous licensing arrangements through 2030. These new agreements benefit us by expanding our ownership of intellectual property that we may use in the future. We recognized intangible assets of \$80.5 million related to these agreements which will be amortized through 2030. The fixed, contractual payments under these agreements are reflected in investing cash flows in our condensed consolidated statements of cash flows.¹²

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8. Debt

Our debt consisted of the following (in millions):

	September	December		
	30,	31,	March 31,	December 31,
	2023	2022	2024	2023
Current portion of long-term debt				
Short-Term Term Loan	\$ -	\$ 83.0		
Uncommitted Credit Facility	300.0	-	\$ 120.0	\$ 50.0
Five-Year Credit Agreement	55.0	375.0		
3.700% Senior Notes due 2023	-	86.3		
1.450% Senior Notes due 2024			850.0	850.0
Total current portion of long-term debt	\$ 355.0	\$ 544.3	\$ 970.0	\$ 900.0
Long-term debt				
1.450% Senior Notes due 2024	850.0	850.0		
3.550% Senior Notes due 2025	863.0	863.0		
3.050% Senior Notes due 2026	600.0	600.0		
3.550% Senior Notes due 2030	257.5	257.5		
2.600% Senior Notes due 2031	750.0	750.0		
4.250% Senior Notes due 2035	253.4	253.4		
5.750% Senior Notes due 2039	317.8	317.8		
4.450% Senior Notes due 2045	395.4	395.4		
2.425% Euro Notes due 2026	529.4	533.6		
1.164% Euro Notes due 2027	529.4	533.6		
3.550% Senior Notes due 2025			\$ 863.0	\$ 863.0
3.050% Senior Notes due 2026			600.0	600.0
5.350% Senior Notes due 2028			500.0	500.0
3.550% Senior Notes due 2030			257.5	257.5
2.600% Senior Notes due 2031			750.0	750.0
4.250% Senior Notes due 2035			253.4	253.4
5.750% Senior Notes due 2039			317.8	317.8
4.450% Senior Notes due 2045			395.4	395.4
2.425% Euro Notes due 2026			540.1	552.3
1.164% Euro Notes due 2027			540.1	552.3
Debt discount and issuance costs	(25.8)	(30.1)	(27.4)	(29.1)
Adjustment related to interest rate swaps	(192.7)	(172.0)	(163.7)	(144.7)

Total long-term debt	\$ 5,127.4	\$ 5,152.2	\$ 4,826.2	\$ 4,867.9
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At **September 30, 2023** **March 31, 2024**, our total current and non-current debt of **\$5.5** **5.8** billion consisted of **\$5.3** **5.9** billion aggregate principal amount of our senior notes, which included €1.0 billion Euro-denominated senior notes ("Euro Notes"), **\$55.0 million of outstanding**

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borrowings under the 2023 Five-Year Revolving Facility (defined below), and \$300.0 **120.0** million of outstanding borrowings under the Uncommitted Credit Facility (defined below), partially offset by debt discount and issuance costs of **\$25.8** **27.4** million and fair value adjustments related to interest rate swaps totaling **\$192.7** **163.7** million.

In the **nine-month** **three-month** period ended **September 30, 2023** **March 31, 2023**, we redeemed **the** **\$83.0 million outstanding principal amount on a short-term term loan by paying \$33.9 million in cash and by transferring all our common shares we owned of our Short-Term Term Loan and a publicly traded company we previously spun-off. The transfer of the common shares as part of the settlement resulted in a \$49.1 million noncash financing activity. In the three-month period ended March 31, 2023 we also redeemed** **\$86.3 million outstanding principal amount of our 3.700% Senior Notes due 2023.**

On August 28, 2023, we entered into an uncommitted facility letter (the "Uncommitted Credit Facility"), which provides that from time to time, we may request, and the lender in its absolute and sole discretion may provide, short-term loans. Borrowings under the Uncommitted Credit Facility may be used only for general corporate and working capital purposes. The Uncommitted Credit Facility provides that the aggregate principal amount of outstanding borrowings at any time shall not exceed \$300.0 million. Each borrowing under the Uncommitted Credit Facility will mature on the maturity date specified by the lender at the time of the advance, which will be no more than 90 days following the date of the advance. The Uncommitted Credit Facility and borrowings thereunder are unsecured. Borrowings under the Uncommitted Credit Facility bear interest at floating rates, based upon either an adjusted term secured overnight financing rate ("Term SOFR") for the applicable interest period, the prime rate, or lender's cost of funds, in each case, plus an applicable margin determined at the time of each borrowing. The Uncommitted Credit Facility includes customary affirmative and negative covenants and events of default for unsecured uncommitted financing arrangements. We were in compliance with all covenants under the Uncommitted Credit Facility as of **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, there were outstanding borrowings of **\$300.0** **120.0** million under the Uncommitted Credit Facility.

On July 7, 2023, we entered into a new five-year revolving credit agreement (the "2023 Five-Year Credit Agreement") and a new 364-day revolving credit agreement (the "2023 364-Day Revolving Credit Agreement"), as described below. Borrowings under these credit agreements will be used for general corporate purposes.

The 2023 Five-Year Credit Agreement contains a five-year unsecured revolving facility of \$1.5 billion (the "2023 Five-Year Revolving Facility"). The 2023 Five-Year Credit Agreement replaced the previous revolving credit agreement entered

into on August 19, 2022 (the “2022 Five-Year Credit Agreement”), which contained a five-year unsecured revolving facility of \$1.5 billion (the “2022 Five-Year Revolving Facility”). There was approximately \$520.0 million in aggregate outstanding borrowings under the 2022 Five-Year Credit Agreement at the time it was terminated, which borrowings were repaid in full through borrowings under the 2023 Five-Year Credit Agreement on July 7, 2023 in the same amount and on the same interest rate and margin terms.

The 2023 Five-Year Credit Agreement will mature on July 7, 2028, with two one-year extensions exercisable at our discretion and subject to required lender consent. The 2023 Five-Year Credit Agreement also includes an uncommitted incremental feature allowing us to request an increase of the facility by an aggregate amount of up to \$500.0 million.

Borrowings under the 2023 Five-Year Credit Agreement bear interest at floating rates, based upon either an adjusted term secured overnight financing rate (“Term SOFR”) SOFR for the applicable interest period or an alternate base rate, in each case, plus an applicable margin determined by reference to our senior unsecured long-term debt credit rating. We pay a facility fee on the aggregate amount of the 2023 Five-Year Revolving Facility at a rate determined by reference to our senior unsecured long-term debt credit rating. The 2023 Five-Year Credit Agreement contains customary affirmative and negative covenants and events of default for unsecured financing arrangements, including, among other things, limitations on consolidations, mergers, and sales of assets. The 2023 Five-Year Credit Agreement also requires us to maintain a consolidated indebtedness to consolidated EBITDA ratio of no greater than 4.5 to 1.0 as of the last day of any period of four consecutive fiscal quarters (with such ratio subject to increase to 5.0 to 1.0 for a period of time in connection with a qualified material acquisition and certain other restrictions). We were in compliance with all covenants under the 2023 Five-Year Credit Agreement as of **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, there were **no outstanding borrowings of \$55.0 million** under the 2023 Five-Year Credit Agreement.

The 2023 364-Day Revolving Credit Agreement is an unsecured revolving credit facility in the principal amount of \$1.0 billion (the “2023 364-Day Revolving Facility”). The 2023 364-Day Revolving Credit Agreement replaced a credit agreement entered into on August 19, 2022, which was also a 364- day unsecured revolving credit facility of \$1.0 billion (the “2022 364-Day Revolving Facility”). There were no borrowings outstanding under the 2022 364-Day Revolving Facility when it was terminated.

The 2023 364-Day Revolving Facility will mature on July 5, 2024. Borrowings under the 2023 364-Day Revolving Credit Agreement bear interest at floating rates based upon either an adjusted Term SOFR for the applicable interest period

or an alternate base rate, in each case, plus an applicable margin determined by reference to our senior unsecured long-term debt credit rating. We pay a facility fee on the aggregate amount of the 2023 364-Day Revolving Facility at a rate determined by reference to our senior unsecured long-term debt credit rating. The 2023 364-Day Revolving Credit Agreement contains customary affirmative and negative covenants and events of default for an unsecured financing arrangement including, among other things, limitations on consolidations, mergers, and sales of assets. The 2023 364-Day Revolving Credit Agreement also requires us to maintain a consolidated indebtedness to consolidated EBITDA ratio of no greater than 4.5 to 1.0 as of the last day of any period of four consecutive fiscal quarters (with such ratio subject to increase to 5.0 to 1.0 in connection with a qualified material acquisition and certain other restrictions). We were in compliance with all covenants under the 2023 364-Day Revolving Credit Agreement as of **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, there were no outstanding borrowings under the 2023 364-Day Revolving Credit Agreement.

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Borrowings under our revolving credit facilities have been executed with underlying notes that have maturities of three months or less. At maturity of the underlying note, we elect to either repay the note, borrow the same amount, or some combination thereof. On our condensed consolidated statements of cash flows, we present the borrowings and repayments of these underlying notes as net cash inflows or outflows due to their short-term nature. **The gross borrowings and repayments in the prior year condensed consolidated statement of cash flows have been reclassified to a net amount to conform to the current period presentation.**

The estimated fair value of our senior notes, which includes our Euro notes, as of **September 30, 2023** **March 31, 2024**, based on quoted prices for the specific securities from transactions in over-the-counter markets (Level 2), was **\$4,804.7** **5,553.8** million. The carrying value of the outstanding **\$55.0** million and **\$300.0** **120.0** million principal balances **balance of the 2023 Five-Year Credit Agreement and Uncommitted Credit Facility respectively, approximate their approximates its** fair value as **they bear it bears** interest at short-term market rates.

10.9. Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) ("AOCI") refers to certain gains and losses that under GAAP are included in comprehensive income but are excluded from net earnings as these amounts are initially recorded as an adjustment to stockholders' equity. Amounts in AOCI may be reclassified to net earnings upon the occurrence of certain events.

Our AOCI is comprised of foreign currency translation adjustments, unrealized gains and losses on cash flow hedges and unrecognized prior service costs and gains and losses in actuarial assumptions related to our defined benefit plans. Foreign currency translation adjustments are reclassified to net earnings upon sale or upon a complete or substantially complete liquidation of an investment in a foreign entity. **In the nine-month period ended September 30, 2022, due to the**

spinoff of ZimVie, certain foreign entities were completely liquidated. In a pro rata spinoff of consolidated subsidiaries' assets and liabilities, the distribution of these net assets is recognized through equity instead of net earnings. Therefore, the foreign currency translation adjustments of those entities that were completely liquidated were reclassified to retained earnings. Similarly, we had entered into instruments designated as net investment hedges against certain of these same foreign entities. We reclassified the portion of the net investment hedge gains (losses) deferred in foreign currency translation adjustments related to those entities to retained earnings. Unrealized gains and losses on cash flow hedges are reclassified to net earnings when the hedged item affects net earnings. Amounts related to defined benefit plans that are in AOCI are reclassified over the service periods of employees in the plan.

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The following table shows the changes in the components of AOCI gains (losses), net of tax (in millions):

	Define				Defined			
	Foreign Currency	Cash Flow	Benefit Hedge	Total Plan	Foreign Currency	Cash Flow	Benefit Hedges	Total Plan Items
	Translat ion	s	Items	AOCI	Translation	Hedges	Plan Items	AOCI
Balance at December 31, 2022	(169.3)	69.6	(79.6)	(17.9)	\$ (159.4)	\$ 63.3	\$ (94.9)	\$ (191.0)
AOCI before reclassifications		89.7	-	53.0	(35.8)	34.7	-	(1.1)
Reclassifications to statements of earnings		(57.4)	(2.8)	(2.2)	-	(18.0)	(1.1)	(19.1)
Balance at September 30, 2023	(206.0)	101.9	(82.4)	(18.6)	\$ (195.2)	\$ 80.0	\$ (96.0)	\$ (211.2)
Balance at March 31, 2024								

The following table shows the reclassification adjustments from AOCI (in millions):

Reclassified from AOCI	Amount of Gain (Loss)	Amount of Gain (Loss)
	Reclassified from AOCI	Reclassified from AOCI

	(	(	Provisio		Provision for income taxes
0	1	0	2	n for	
.	.	.	.	income	
1	0)	3	2)	taxes	(0.3) 0.1
	((Net of		Net of tax
0	3	2	7	tax	
.	.	.	.		
\$ 7	\$ 7)	\$ 8	\$ 2)		\$ 1.1 \$ 0.9
1	1	6	2	Net of	
9	0	0	1	tax	
.	.	.	.		
\$ 8	\$ 7	\$ 2	\$ 2		\$ 19.1 \$ 19.9
	<u> </u>	<u> </u>	<u> </u>		

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The following table shows the tax effects on each component of AOCI recognized in our condensed consolidated statements of comprehensive income (in millions):

	Three Months						Three Months Ended March 31, 2024		
	Ended September		Nine Months Ended						
	30, 2023		September 30, 2023				Before Tax		
	Befo	Net	Befo	Net			Tax		Net of Tax
	re	of	re	of			Before Tax	Tax	Net of Tax
	Tax	Tax	Tax	Tax	Tax	Tax			
Foreign currency		1		1					
cumulative translation		5	(2	(2	0	(3			
adjustments	(7.	.	2.	6.	.	6.			
	\$ 3)	4	\$ 7)	\$ 2)	5	\$ 7)	\$ (19.2)	16.6	\$ (35.8)
Unrealized cash flow				1					
hedge gains		6		10	8				
	40	.	33	8.	.	89			
	.5	7	.8	3	6	.7		8.7	34.7
Reclassification				(
adjustments on cash flow				1					
hedges	(2	4	(1	(6	2	(5			
	3.	.	9.	9.	.	7.			
	2)	1)	1)	4)	0)	4)	(21.8)	(3.8)	(18.0)

Adjustments to prior service cost and unrecognized actuarial assumptions	(0.8)	(1)	(0.7)	(3.1)	(.3)	(.8)	(0.8)	0.3	(1.1)
Total Other Comprehensive Income (Loss)	1		1						
	7		6						
	9.	.	(8.	9.	.	(7			
	<u>\$ 2</u>	<u>\$ 9</u>	<u>\$ 7)</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$.2)</u>	<u>\$ 1.6</u>	<u>\$ 21.8</u>	<u>\$ (20.2)</u>

	Three Months Ended September 30, 2022						Nine Months Ended September 30, 2022			Three Months Ended March 31, 2023		
	Befo re		Net		Befo re		Net					
	re	of	re	of	re	of	Before Tax	Tax	Net of Tax			
	Tax	Tax	Tax	Tax	Tax	Tax	Before Tax	Tax	Net of Tax			
Foreign currency cumulative translation adjustments	2											
	(7	4	(9	(1	7	(1						
	1.	.	5.	09	6.	86						
	<u>\$ 0)</u>	<u>\$ 6</u>	<u>\$ 6)</u>	<u>\$.9)</u>	<u>\$ 5</u>	<u>\$.4)</u>	<u>\$</u>	<u>7.5</u>	<u>\$ (4.9)</u>	<u>\$</u>	<u>12.4</u>	
Unrealized cash flow hedge gains	1											
	0		16	3	13							
	64	.	53	4.	1.	3.						
	.2	3	.9	4	2	2		11.1	2.3		8.8	
Reclassification adjustments on cash flow hedges	(
	(1	2	(1	(3		(2						
	6.	.	4.	3.	(4	8.						
	<u>8)</u>	<u>4)</u>	<u>4)</u>	<u>0)</u>	<u>.6)</u>	<u>4)</u>	<u>\$</u>	<u>(22.9)</u>	<u>(3.9)</u>	<u>\$</u>	<u>(19.0)</u>	
Adjustments to prior service cost and unrecognized actuarial assumptions	1											
	4.	.	3.	9.	2.	7.						
	<u>7</u>	<u>0</u>	<u>7</u>	<u>4</u>	<u>2</u>	<u>2</u>	<u>\$</u>	<u>(1.0)</u>	<u>(0.1)</u>	<u>\$</u>	<u>(0.9)</u>	
Total Other Comprehensive Income (Loss)	3			1								
	(1	3	(5	0	(7							
	8.	.	2.	30	5.	4.						
	<u>\$ 9)</u>	<u>\$ 5</u>	<u>\$ 4)</u>	<u>\$.9</u>	<u>\$ 3</u>	<u>\$ 4)</u>	<u>\$</u>	<u>(5.3)</u>	<u>\$ (6.6)</u>	<u>\$</u>	<u>1.3</u>	

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10. Fair Value Measurement of Assets and Liabilities

The following financial assets and liabilities are recorded at fair value on a recurring basis (in millions):

	As of September 30, 2023				As of March 31, 2024			
	Fair Value Measurements at Reporting Date Using:				Fair Value Measurements at Reporting Date Using:			
Description	Quote				Quoted Prices			
	d	in	Signif		in	Active	Significant	
	Prices	Active	Signif		Markets for	Other	Signifi	
	ts for	Obse	cant		ts for	Identical	Signifi	
	Identifi	rvabl	Unobs		Identical	Observable	Significant	
	Rec	cal	e	ervabl	Inputs	Inputs	Inputs	
	orde	Asset	Input	e	Markets for	Other	Significant	
	d	s	s	Inputs	Identical	Observable	Significant	
	Bala	(Level	(Leve	(Level	Recorded	Assets	Inputs	Inputs
	nce	1)	12)	3)	Balance	(Level 1)	(Level 2)	(Level 3)
Assets								
Derivatives designated as hedges, current and long-term								
Foreign currency forward contracts	10.1.		10		\$ 9 \$ -	\$ 1.9 \$ -	\$ 74.4 \$ -	\$ 74.4 \$ -
Cross-currency interest rate swaps	13.7		13.7				27.3	
Derivatives not designated as hedges, current and long-term								

Foreign currency forward contracts	0.3	2.4	2.4	-
Total Assets	11.5	11	104.1	\$ -
	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 5.9</u>	<u>\$ -</u>
	<u><u>\$ 9</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5.9</u></u>	<u><u>\$ -</u></u>
Liabilities				
Derivatives designated as hedges, current and long-term				
Foreign currency forward contracts		\$ 1.7	\$ -	\$ 1.7
Cross-currency interest rate swaps	23.3	23.3	43.8	\$ -
Interest rate swaps	\$.3	\$ -	\$ 3	\$ -
Interest rate swaps	19.2	19	163.8	\$ -
7	-	2.7	-	
Derivatives not designated as hedges, current and long-term				
Foreign currency forward contracts	0.1	1.5	-	1.5
Contingent consideration related to acquisitions	10.4	104.	115.2	\$ -
3	-	3	-	
Total Liabilities	32.0	21.104.	326.0	\$ 210.8
	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 6.1</u>	<u>\$ 3</u>
	<u><u>\$ 4</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6.1</u></u>	<u><u>\$ 3</u></u>

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Description	As of December 31, 2022				As of December 31, 2023						
	Fair Value				Fair Value Measurements at Reporting Date Using:						
	Measurements at Reporting Date Using:				Fair Value Measurements at Reporting Date Using:						
	Quote				Quoted Prices						
	d				in Active						
	Prices				Significant Markets for						
	in Signif				Other						
	Active				Significant						
	Marke				Identical						
	ts for				Unobservable						
Identifi				Quoted Prices				Quoted Prices			
d				in Active				in Active			
Asset				Input				Significant			
Input				e				Markets for			
Inputs				Inputs				Other			
Bala				(Leve				Significant			
nce				(Leve				Identical			
1)				(Leve				Observable			
2)				(Leve				Unobservable			
3)				Assets				Inputs			
Balance				(Level 1)				(Level 2)			
								(Level 3)			
Assets											
Derivatives designated as hedges, current and long-term											
Foreign currency forward contracts	72		72.		\$	54.4	\$	-	\$	54.4	\$
Cross-currency interest rate swaps	6.8	\$	-	\$ 8	\$	-	\$	-	\$	-	\$
Derivatives not designated as hedges, current and long-term											
Foreign currency forward contracts	1.8		1.8			0.4		-	0.4		-
Forward Exchange Agreement	1.1		-	1.1							
Investment in ZimVie	45.5		45.5								
Total Assets	12.8		45.82.		\$	60.2	\$	-	\$	60.2	\$
	\$ 0	\$ 5	\$ 5	\$ -							

Liabilities													
Derivatives designated as hedges, current and long-term													
Foreign currency forward contracts	5.	\$ 5	\$ -	\$ 5.5	\$ -	\$ 3.7	\$ -	\$ 3.7	\$ -	\$ 3.7	\$ -	\$ 3.7	\$ -
Cross-currency interest rate swaps	49 .6	49. -	6 -			68.1				68.1			
Interest rate swaps	17 2.	17	2.0	-		144.7				144.7			
Derivatives not designated as hedges, current and long-term													
Foreign currency forward contracts	3. 3	-	3.3	-		1.6				1.6			
Contingent consideration related to acquisitions	17 .4	17. -	-	4		141.7				-			141.7
Total Liabilities	24 7.	23	17.										141.7
	\$ 8	\$ -	\$ 0.4	\$ 4		\$ 359.8	\$ -	\$ 218.1	\$ -				

We value our foreign currency forward contracts using a market approach based on foreign currency exchange rates obtained from active markets, and we perform ongoing assessments of counterparty credit risk.

We value our interest rate swaps using a market approach based on publicly available market yield curves and the terms of our swaps, and we perform ongoing assessments of counterparty credit risk. The valuation of our cross-currency interest rate swaps also includes consideration of foreign currency exchange rates.

In connection with the spinoff, we retained approximately 5.1 million unregistered common shares of ZimVie, representing 19.7 percent of ZimVie's common stock on the separation date. At December 31, 2022, we valued these shares based upon the market share price of ZimVie less a discount to reflect that the shares were not registered. We disposed of these shares in February 2023.

The value of the Forward Exchange Agreement as of December 31, 2022, was based upon the historical volume-weighted average price of ZimVie stock since the inception of the agreement with simulations of how the ZimVie stock might perform until the scheduled settlement date.

Contingent payments related to acquisitions consist of sales-based payments and regulatory milestones, and are valued using discounted cash flow techniques. The fair value of sales-based payments is based upon significant

unobservable inputs such as probability-weighted future revenue estimates and simulating the numerous potential outcomes, and **increases changes** as revenue estimates **increase, increase or decrease**. The fair value of the regulatory milestones is based on the probability of success in obtaining the specified regulatory approval.

Contingent payments related to the Embody acquisition are to be settled by issuance of our common stock and cash payments. The Embody acquisition is discussed in Note 8. During the nine-month three-month period ended September 30, 2023 [March 31, 2024], we issued 0.1 0.2 million shares of our common stock valued at \$15.5 23.4 million and paid \$0.7 1.5 million of cash as the regulatory for a commercial milestone related to the Embody acquisition was achieved. The fair value of common stock was determined to be \$143.84 123.87 per share, which represented the average of our high and low stock prices on the settlement date. To minimize dilution from issuing shares for the milestone settlement, we repurchased 0.1 0.2 million shares of our common stock in June February of 2023 2024.

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) (in millions):

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	Level 3 - Liabilities
Contingent payments related to acquisitions	
Beginning balance December 31, 2023	\$ 141.7
Change in estimates	(1.6)
Settlements	(24.9)
Ending balance March 31, 2024	<u><u>\$ 115.2</u></u>

	Level 3 - Liabilities
Contingent payments related to acquisitions	
Beginning balance December 31, 2022	\$ 17.4
New contingent consideration related to the 2023 acquisitions	102.0
Change in estimates	13.7
Settlements	(28.8)
Ending balance September 30, 2023	<u><u>\$ 104.3</u></u>

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Changes in estimates for contingent payments related to acquisitions are recognized in the Acquisition, integration, divestiture and related line item on our condensed consolidated statements of earnings.

12. 11. Derivative Instruments and Hedging Activities

We are exposed to certain market risks relating to our ongoing business operations, including foreign currency exchange rate risk, commodity price risk, interest rate risk and credit risk. We manage our exposure to these and other market risks through regular operating and financing activities. Currently, the only risks that we manage through the use of derivative instruments are interest rate risk and foreign currency exchange rate risk.

Interest Rate Risk

Derivatives Designated as Fair Value Hedges

We currently use fixed-to-variable interest rate swaps to manage our exposure to interest rate risk from our cash investments and debt portfolio. These derivative instruments are designated as fair value hedges under GAAP. Changes in the fair value of the derivative instrument are recorded in current earnings and are offset by gains or losses on the underlying debt instrument.

As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the following amounts were recorded on our condensed consolidated balance sheets related to cumulative basis adjustments for fair value hedges (in millions):

		Cumulative Amount of Fair Value Hedging			
Carrying Amount of the Hedged Liabilities		Adjustment Included in the Carrying Amount of the Hedged Liabilities		Carrying Amount of the Hedged Liabilities	
Balanc	Sept	Dec	emb	emb	
She	er	er			
et					
Line	30,	31,	September	December	March December
Item	2023	2022	for 30, 2023	for 31, 2022	31, 2024 31, 2023 March 31, 2024 December 31, 2023
Long-					
g-					
ter	8	8			
m	0	2			
debt	3.	3.			
total	\$ 3	\$ 9	\$ (192.7)	\$ (172.0)	\$ 832.3 \$ 851.3 \$ (163.7) \$ (144.7)

Derivatives Designated as Cash Flow Hedges

In 2014, we entered into forward starting interest rate swaps that were designated as cash flow hedges of our thirty-year tranche of senior notes due 2045 we expected to issue in 2015. The forward starting interest rate swaps mitigated the risk of changes in interest rates prior to the completion of the notes offering. The interest rate swaps were settled, and the remaining loss to be recognized at **September 30, 2023** **March 31, 2024** was **\$24.1** **23.7** million, which will be recognized using the effective interest rate method over the remaining maturity period of the hedged notes.

Foreign Currency Exchange Rate Risk

We operate on a global basis and are exposed to the risk that our financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates. To reduce the potential effects of foreign currency exchange rate movements on net earnings, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. We also designated our Euro Notes as net investment hedges of investments in foreign subsidiaries. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, Swiss Francs, Japanese Yen, British Pounds, **Chinese Renmimbi**, Canadian Dollars, Australian Dollars, Korean Won, Swedish Krona, Czech Koruna, Thai Baht, Taiwan Dollars, South African Rand, Russian Rubles, Indian Rupees, Turkish Lira, Polish Zloty, Danish Krone, and Norwegian Krone. We do not use derivative financial instruments for trading or speculative purposes.

Derivatives Designated as Net Investment Hedges

We are exposed to the impact of foreign exchange rate fluctuations in the investments in our wholly-owned foreign subsidiaries that are denominated in currencies other than the U.S. Dollar. In order to mitigate the volatility in foreign exchange rates, we issued Euro Notes in December 2016 and November 2019 and designated 100 percent of the Euro Notes to hedge our net investment in certain wholly-owned foreign subsidiaries that have a functional currency of the Euro. All changes in the fair value of a hedging instrument designated as a net investment hedge are recorded as a component of AOCI in the condensed consolidated balance sheets.

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At **September 30, 2023** **March 31, 2024**, we had receive-fixed-rate, pay-fixed-rate cross-currency interest swaps with notional amounts outstanding of Euro 700 million, Japanese Yen 54.1 billion and Swiss Franc 125 million. These transactions further hedge our net investment in certain wholly-owned foreign subsidiaries that have a functional currency of Euro, Japanese Yen and Swiss Franc. All changes in the fair value of a derivative instrument designated as a net investment hedge are recorded as a component of AOCI in the condensed consolidated balance sheets. The portion of this change related to the excluded component will be amortized into earnings over the life of the derivative while the remainder will be recorded in AOCI until the hedged net investment is sold or substantially liquidated. We recognize the excluded component in interest expense, net on our condensed consolidated statements of earnings. The net cash received related to the receive-fixed-rate, pay-fixed-rate component of the cross-currency interest rate swaps is reflected in investing cash

flows in our condensed consolidated statements of cash flows. In the **nine-month** **three-month** period ended **September 30, 2023** **March 31, 2023**, Euro 100

million and Swiss Franc 50 million of these cross-currency interest rate swaps matured at a gain of \$6.0 million and loss of \$3.0 million, respectively. The settlement of these gains and losses with the counterparties is reflected in investing cash flows in our condensed consolidated statements of cash flows and will remain in AOCI on our condensed consolidated balance sheet until the hedged net investment is sold or substantially liquidated. **No cross-currency interest rate swaps matured in the three-month period ended March 31, 2024.**

Derivatives Designated as Cash Flow Hedges

Our revenues are generated in various currencies throughout the world. However, a significant amount of our inventory is produced in U.S. Dollars. Therefore, movements in foreign currency exchange rates may have different proportional effects on our revenues compared to our cost of products sold. To minimize the effects of foreign currency exchange rate movements on cash flows, we hedge intercompany sales of inventory expected to occur within the next 30 months with foreign currency exchange forward contracts. We designate these derivative instruments as cash flow hedges.

We perform quarterly assessments of hedge effectiveness by verifying and documenting the critical terms of the hedge instrument and confirming that forecasted transactions have not changed significantly. We also assess on a quarterly basis whether there have been adverse developments regarding the risk of a counterparty default. For derivatives which qualify as hedges of future cash flows, the gains and losses are temporarily recorded in AOCI and then recognized in cost of products sold when the hedged item affects net earnings. On our condensed consolidated statements of cash flows, the settlements of these cash flow hedges are recognized in operating cash flows.

For foreign currency exchange forward contracts and options outstanding at **September 30, 2023** **March 31, 2024**, we had obligations to purchase U.S. Dollars and sell Euros, Japanese Yen, British Pounds, Canadian Dollars, Australian Dollars, Korean Won, Swedish Krona, Czech Koruna, Thai Baht, Taiwan Dollars, South African Rand, **Russian Rubles**, Indian Rupees, Polish Zloty, Danish Krone, and Norwegian Krone and obligations to purchase Swiss Francs and sell U.S. Dollars. These derivatives mature at dates ranging from **October 2023** **April 2024** through **March** **August 2026**. As of **September 30, 2023** **March 31, 2024**, the notional amounts of outstanding forward contracts and options entered into with third parties to purchase U.S. Dollars were **\$1,494.9** **1,526.7** million. As of **September 30, 2023** **March 31, 2024**, the notional amounts of outstanding forward contracts and options entered into with third parties to purchase Swiss Francs were **\$439.4** **435.4** million.

Derivatives Not Designated as Hedging Instruments

We enter into foreign currency forward exchange contracts with terms of one to three months to manage currency exposures for monetary assets and liabilities denominated in a currency other than an entity's functional currency. As a result, any foreign currency remeasurement gains/losses recognized in earnings are generally offset with gains/losses on the foreign currency forward exchange contracts in the same reporting period. The net amount of these offsetting gains/losses is recorded in other (expense) income, net. Any outstanding contracts are recorded on the balance sheet at fair value as of the end of the reporting period. The notional amounts of these contracts are typically in a range of \$1.25 billion to \$1.75 billion per quarter.

As discussed in Note 2, we entered into the Forward Exchange Agreement as part of our pledge to transfer our ZimVie shares to a third-party financial institution, which occurred in February 2023.

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Income Statement Presentation

Derivatives Designated as Cash Flow Hedges

Derivative instruments designated as cash flow hedges had the following effects, before taxes, on AOCI and net earnings on our condensed consolidated statements of earnings, condensed consolidated statements of comprehensive income and condensed consolidated balance sheets (in millions):

Deri vati ve Inst rum ent	Amount of Gain (Loss)		Amount of Gain (Loss)		Amount of Gain	Amount of Gain (Loss)							
	Reclassified from												
	Recognized in AOCI		AOCI		Recognized in AOCI		Reclassified from AOCI						
	Three	Nine	Three	Nine									
	Months	Months	Months	Months									
	Ended	Ended	Ended	Ended			Three Months Ended						
	Loc						Three Months Ended						
	Septem	Septem	atio	Septemb	Septemb								
	ber 30,	ber 30,	n on	er 30,	er 30,	March 31,	Location on						
	Stat						March 31,						
eme													
nts													
of													
2023	2022	2023	Earnings	2023	2022	2023	2023						
2024	2023	2024	2023	2024	2023	Statements of Earnings	2024						

For eig n exc han ge for war d con trac ts										Cost of prod ucts duc ts sol d				\$5 \$2 \$3 \$4 \$3 \$0 \$9 \$6 \$43.4 \$11.1				\$22.0 \$23.1			
For war d star ting inte rest rate sw aps										Interest exp ens e, net				(1) (2) (5) (6)				Interest expense, net			
																		(0.2) (0.2)			
														\$5 \$2 \$3 \$4 \$2 \$8 \$4 \$0 \$43.4 \$11.1				\$21.8 \$22.9			

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The fair value of outstanding derivative instruments designated as cash flow hedges and recorded on our condensed consolidated balance sheet at **September 30, 2023** **March 31, 2024**, together with settled derivatives where the hedged

item has not yet affected earnings, was a net unrealized gain of \$119.2 million, or \$101.9 million after taxes, which is deferred in AOCI. A gain of \$88.0 million, or \$72.9 million after taxes, is expected to be reclassified to earnings in cost of products sold and a loss of \$0.7 million, or \$0.5 million after taxes, is expected to be reclassified to earnings in interest expense, net over the next twelve months.

The following table presents the effect of fair value, cash flow and net investment hedge accounting on our condensed consolidated statements of earnings (in millions):

Total amounts of income and expense line items presented in the statements of earnings in which the effects of fair value, cash flow and net investment hedges are recorded	1 , (4 5 8 4 4 5 9 2 1 8 2 5 0 9 2	1 , (1 4 1 4 1 5 9 2 1 8 2 5 0 9 2	\$ 518.6 \$ 1) \$ 2 \$ 3) \$ 0 \$ 9) \$ 2 \$ 2) \$ 512.3 \$ (50.7) \$ 500.8 \$ (48.2)
The effects of fair value, cash flow and net investment hedging:	The effects of fair value, cash flow and net investment hedging:	The effects of fair value, cash flow and net investment hedging:	
Gain (loss) on fair value hedging relationships			
Interest rate swaps	(1 0 2 8 2	(2 8 2	
	- 5) - 0) - 1) - 0		- (10.6) - (8.2)
Gain (loss) on cash flow hedging relationships			
Foreign exchange forward contracts	1 7	6 9	3 3
	23.3 - 0 - 9 - 6 -		22.0 - 23.1 -
Forward starting interest rate swaps	(0 0 0 0 0 - 1) - 2) - 5) - 6)	(0 0 0 0 0 - 1) - 2) - 5) - 6)	(0.2) - (0.2)
Gain on net investment hedging relationships			

Derivatives Not Designated as Hedging Instruments

The following gains / (losses) from these derivative instruments were recognized on our condensed consolidated statements of earnings (in millions):

Derivative Instrument	Three Months Ended		Nine Months Ended		Three Months Ended	
	September		September			
	Location on Statements	September 30, 2023	Location on Statements	March 31,		
	of Earnings	23	2022	23		
		2023	2022			
				Statements of Earnings		
Foreign exchange forward contracts	Other income (expense) , net	7 . \$ 8	(1 0. \$ 0)	8 5. \$ 2)	Other (expense) income, net \$ 8.4 \$ (3.6)	
Forward Exchange Agreement	Other income (expense) , net	3. 3. 0	3. 3. 0			

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These gains / (losses) do not reflect offsetting losses of \$9.3 million in the three-month period ended September 30, 2023, offsetting gains of \$5.4 million in the three-month period ended September 30, 2022, offsetting losses of \$23.1 million in the nine-month period ended September 30, 2023 March 31, 2024, and offsetting gains of \$13.9 million in the nine-month three-month period ended September 30, 2022 March 31, 2023, recognized in other income (expense), net as a result of foreign currency remeasurement of monetary assets and liabilities denominated in a currency other than an entity's functional currency.

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Balance Sheet Presentation

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, all derivatives designated as fair value hedges, cash flow hedges and net investment hedges are recorded at fair value on our condensed consolidated balance sheets. On our condensed consolidated balance sheets, we recognize individual forward contracts with the same counterparty on a net asset/liability basis if we have a master netting agreement with the counterparty. Under these master netting agreements, we are able to settle derivative instrument assets and liabilities with the same counterparty in a single transaction, instead of settling each derivative instrument separately. We have master netting agreements with substantially all of our counterparties. The fair value of derivative instruments on a gross basis is as follows (in millions):

	As of		As of		As of		As of	
	September 30,		December 31,		March 31, 2024		December 31, 2023	
	2023		2022		Balance		Balance	
	Balance	Sheet	Balance	Sheet	Balance	Sheet	Balance	Sheet
		Fair		Fair		Fair		Fair
		Val		Val		Val		Val
	Location	ue	Location	ue	Location	Value	Location	Value
Asset								
Derivatives								
Designated as								
Hedges								
Foreign exchange forward contracts	8	7	2	3	assets \$ 1	assets \$ 2	Other current assets \$ 66.3	Other current assets \$ 58.4
Cross-currency interest rate swaps	Other current assets	6	Other current assets	.	assets -	assets 8	Other current assets -	Other current assets -
Foreign exchange forward contracts	2	1	9	6	assets .	assets .	assets 21.2	assets 17.2
Cross-currency interest rate swaps	1	3	Other assets	.	assets 7	assets 6	Other assets 27.3	Other assets 5.4

	1							
	2	9						
	5	6						
Total asset derivatives	.	.						
	\$ 5	\$ 6				\$ 114.8		\$ 81.0
Asset Derivatives Not Designated as Hedges								
Foreign exchange forward contracts	Other assets	0	Other assets	3				
	current assets	.	current assets	.				
	\$ 3		\$ 1		Other current assets	\$ 3.7	Other current assets	\$ 1.2
Forward Exchange Agreement	Other assets		Other assets	1				
	current assets		current assets	.				
	—		—					
Total asset derivatives not designated as hedges		0		4				
Liability Derivatives Designated as Hedges								
Foreign exchange forward contracts	Other liabilities		Other liabilities					
	current liabilities	5	current liabilities	8				
	\$ 8		\$ 0		Other current liabilities	\$ 8.5	Other current liabilities	\$ 13.9
Cross-currency interest rate swaps	Other liabilities		Other liabilities					
	current liabilities	5	current liabilities	3				
	0		3		Other current liabilities	35.0	Other current liabilities	33.3

Foreign exchange forward contracts	Other long-term liabilities	Other long-term liabilities	1	4	4	.	.	Other long-term liabilities	6.3	Other long-term liabilities	11.0
Cross-currency interest rate swaps	Other long-term liabilities	Other long-term liabilities	1	4	4	.	.	Other long-term liabilities	8.8	Other long-term liabilities	34.8
Interest rate swaps	Other long-term liabilities	Other long-term liabilities	1	7	7	.	.	Other long-term liabilities	163.8	Other long-term liabilities	144.7
Total liability derivatives	2	2	2	4	4	.	.	\$ 9	\$ 1	\$ 222.4	\$ 237.7
Liability Derivatives Not Designated as Hedges											
Foreign exchange forward contracts	Other current liabilities	Other current liabilities	0	4	4	.	.	Other current liabilities	\$ 2.8	Other current liabilities	\$ 2.4

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The table below presents the effects of our master netting agreements on our condensed consolidated balance sheets (in millions):

As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
--------------------------------	-------------------------------	----------------------	-------------------------

Descripti on												
	Net			Net								
	Am			Am								
	ou			ou								
	Gr			nt			Gr			nt		
	os			in			os			in		
	s			Bal			s			Bal		
	A			anc			A			anc		
	m			Of			e			m		
	Locat			ou			Sh			Of		
Asset Derivatives												
Cash flow	Other						Other current assets					
hedges	curr	8	7	7	6							
	ent	2	5	6	3	7						
	asse	.	.	.	.	.	
	ts	\$1	\$8	\$3	\$2	\$1	\$1			\$ 66.3	\$ 8.4	\$ 57.9
Cash flow	Other	2	2	1						\$ 58.4	\$ 13.0	\$ 45.4
hedges	9	4	5	6	9	6						
	asse	.	.	.	.	.	
	ts	7	1	6	6	9	7			21.2	4.7	16.5
Derivatives	Other						Other current assets					
Not Desig	curr											
nated as	ent											
	asse											
as	ts	0	0	3	1	1						
Hedges		.	.	.	.	.	
		3	-	3	1	3	8			3.7	1.3	2.4
										1.2	0.8	0.4
Liability Derivatives												

Cash flow hedges	Other current liabilities	5.5	8.7	0	8.5	8.4	0.1	13.9	13.0	0.9
Cash flow hedges	Other long-term liabilities	long-term	1							
		4.4	4.9	4	6.3	4.7	1.6	11.0	8.2	2.8
Derivatives	Other current liabilities									
Not Designated as Hedging Instruments	curr liabili ties	0.0	0.4	1.3	2.8	1.3	1.5	2.4	0.8	1.6
		1.1	1.6	3.3						

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The following net investment hedge gains (losses) were recognized on our condensed consolidated statements of comprehensive income (in millions):

Derivative Instrument	Amount of Gain				Amount of Gain (Loss)			
	Recognized in AOCI				Recognized in AOCI			
	Three Months Ended		Nine Months Ended		Three Months Ended		March 31,	
	September 30,		September 30,		2024		2023	
	2023	2022	2023	2022				
	32.		236.					
Euro Notes	\$ 2	\$ 98.7	\$ 8.4	\$ 4	\$ 24.4		\$ (19.2)	

Cross-currency interest rate swaps	32.	36.					
	5	24.3	2	76.0		46.1	(4.5)
	64.		44.	312.			
	\$ 7	\$ 123.0	\$ 6	\$ 4	\$	70.5	\$ (23.7)

13.12. Income Taxes

We operate on a global basis and are subject to numerous and complex tax laws and regulations. Additionally, tax laws continue to undergo rapid changes in both application and interpretation by various countries, including state aid interpretations and initiatives led by the Organisation for Economic Cooperation and Development ("OECD"). Our income tax filings are subject to examinations by taxing authorities throughout the world. Income tax audits may require an extended period of time to reach resolution and may result in significant income tax adjustments when interpretation of tax laws or allocation of company profits is disputed. Although ultimate timing is uncertain, the net amount of tax liability for unrecognized tax benefits may change within the next twelve months due to changes in audit status, expiration of statutes of limitations, settlements of tax assessments and other events. Management's best estimate of such change is within the range of a \$400 million decrease to a \$20 million increase.

We are under continuous audit by the IRS and have disputes with the IRS and other foreign taxing authorities in the jurisdictions where we operate. In addition, some jurisdictions in which we operate require payment of disputed taxes to petition a court or taxing authority, or we may elect to make such payments prior to final resolution. We record any prepayments as income tax receivables when we believe our position is more likely than not to be upheld. We assess our position on these disputes at each reporting period. During the course of these audits and disputes, we receive proposed adjustments from taxing authorities that may be material. Therefore, there is a possibility that an adverse outcome in these audits or disputes could have a material effect on our results of operations and financial condition. Our U.S. federal income tax returns have been audited through 2015 and are currently under audit for years 2016-2019.

The IRS has proposed adjustments for tax years 2010-2012, primarily related to reallocating profits between certain of our U.S. and foreign subsidiaries, which remain unsettled. We have disputed these adjustments and intend to continue to vigorously defend our positions as we pursue resolution through the administrative process with the IRS Independent Office of Appeals.

The IRS has proposed adjustments for tax years 2013-2015, relating primarily to transfer pricing involving our cost sharing agreement between the U.S. and Switzerland affiliated companies and reallocating the reallocation of profits between certain of our U.S. and foreign subsidiaries. This includes a proposed increase to our U.S. federal taxable income, which would result in additional tax expense related to 2013 of approximately \$370 million, subject to interest and penalties related to our cost sharing agreement. We strongly believe that the position of the IRS, with regard to this matter, is inconsistent with the applicable U.S. Treasury Regulations governing our cost sharing agreement. We intend to vigorously contest the adjustment, and we will pursue all available administrative and, if necessary, judicial remedies. If we pursue judicial remedies in the U.S. Tax Court for years 2013-2015, a number of years will likely elapse before such

matters are finally resolved. No payment of any amount related to this matter is required to be made, if at all, until all applicable proceedings have been completed.

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The IRS has proposed adjustments for tax years 2016-2019, primarily related to the U.S. taxation of foreign earnings and profits, which could result in additional material tax expense if we are unsuccessful in defending our position. We disagree with the proposed adjustments and intend to continue to vigorously contest the adjustments. We do not expect a final resolution of these issues in the next 12 months. No payment of any amount related to this matter is required to be made, if at all, until all applicable proceedings have been completed.

In the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024, our effective tax rate ("ETR") was 25.7 19.7 percent compared to 18.9 percent for the three-month period ended March 31, 2023. The 19.7 percent and 22.7 percent, respectively, compared to negative 9.3 percent and positive 11.9 percent in the three and nine-month periods ended September 30, 2022, respectively. The 25.7 percent and 22.7 18.9 percent ETR in the three and nine-month three-month periods ended September 30, 2023, March 31, 2024 and 2023, respectively, was were primarily driven by discrete tax effects our mix of the filing of certain tax returns earnings between U.S. and reorganizing the ownership structure of certain wholly-owned subsidiaries in the second quarter of 2023. The negative 9.3 percent and positive 11.9 percent ETR in the three and nine-month periods ended September 30, 2022, respectively, was primarily driven by a favorable tax audit settlement and finalization of the Swiss Federal Act on Tax Reform and AHV Financing ("TRAF") step-up, which was partially offset by the loss on our investment in ZimVie which was not deductible for tax purposes. foreign locations. Absent discrete tax events, we expect our future ETR will be lower than the U.S. corporate income tax rate of 21.0 percent due to our mix of earnings between U.S. and foreign locations, which generally have lower corporate income tax rates. Our ETR in future periods could also potentially be impacted by: changes in our mix of pre-tax earnings; changes in tax rates, tax laws or their interpretation; including the European Union adoption of Pillar Two proposals which began to take effect in 2024; the outcome of various federal, state and foreign audits; audits, appeals, and litigation; and the expiration of certain statutes of limitations. Currently, we cannot reasonably estimate the impact of these items on our financial results. The European Union member states enacted the OECD Pillar Two Directive that generally provides for a 15% minimum tax rate. The first European Directive effective date for certain aspects of Pillar Two is January 1, 2024 and the Undertaxed Profits Rule aspect of Pillar Two will be effective on January 1, 2025. The implementation of the OECD Pillar Two rules may increase our ETR in future periods.

14.22

13. Earnings Per Share

The following is a reconciliation of weighted average shares for the basic and diluted shares computations (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31, 2024	2024	2023			
	2023		2022							
	30,	30,	3	2022						
	2023	2022	3	2022						
	20	20	20	20						
Weighted average shares outstanding for basic net earnings per share	8.	20	9.	9.						
	9	9.8	0	5		205.2	209.4			
Effect of dilutive stock options and other equity awards	1.		1.	0.						
	1	0.5	1	7		1.0	1.0			
Weighted average shares outstanding for diluted net earnings per share	21		21	21						
	0.	21	0.	0.						
	0	0.3	1	2		206.2	210.4			

During the three and nine-month periods ended September 30, 2023, March 31, 2024 and 2023, an average of 2.2 million options and 2.0 million options, respectively, to purchase shares of common stock were not included in the computation of diluted earnings per share because the effect would have been antidilutive. During the three and nine-month periods ended September 30, 2022, an average of 6.4 million and 4.4 million options, respectively, to purchase shares of common stock were not included for the same reason.

15.14. Segment Information

We design, manufacture and market orthopedic reconstructive products; sports medicine, biologics, extremities and trauma products; craniomaxillofacial and thoracic products ("CMFT"); surgical products; and a suite of integrated digital and robotic technologies that leverage data, data analytics and artificial intelligence. Our chief operating decision maker ("CODM") allocates resources to achieve our operating profit goals through three operating segments. These operating segments, which also constitute our reportable segments, are Americas; EMEA; and Asia Pacific.

Our CODM evaluates performance based upon segment operating profit exclusive of operating expenses and income pertaining to intangible asset amortization, certain inventory and manufacturing-related charges, goodwill and intangible asset impairment, restructuring and other cost reduction initiatives, quality remediation, acquisition, integration, divestiture and related, litigation, certain European Union Medical Device Regulation ("EU MDR") expenses, certain research and development ("R&D") agreements, other charges and corporate functions (collectively referred to as "Corporate items"). Corporate functions include finance, corporate legal, information technology, human resources and other corporate departments as well as stock-based compensation and certain operations, distribution, quality assurance,

and regulatory assurance, research and development ("R&D") and marketing expenses. Intercompany transactions have been eliminated from segment operating profit.

Our Americas operating segment is comprised principally of the U.S. and includes other North, Central and South American markets. This segment also includes research, development engineering, medical education, and brand management for our product category headquarter locations. Our EMEA operating segment is comprised principally of Europe and includes the Middle East and African markets. Our Asia Pacific operating segment is comprised principally of Japan, China and Australia and includes other Asian and Pacific markets. The Americas, EMEA and Asia Pacific operating segments include the commercial operations as well as regional headquarter expenses to operate in those markets. Since the Americas segment includes additional costs related to Our operating segments do not include many centralized, product category headquarter expenses profitability metrics in this operating segment are not comparable to the EMEA such as R&D and Asia Pacific operating segments.

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Our CODM does not review asset information by operating segment. Instead, our CODM reviews cash flow and other financial ratios by operating segment. global marketing that benefit all regions.

In the three-month period ended **June 30, 2023** March 31, 2024, the segment operating profit measures our CODM reviews were revised. Certain product category headquarter costs, primarily R&D and marketing, that were previously in our Americas operating segment are now included in Corporate items. In addition, certain support function costs from our operating segments are now included in Corporate items. We have reclassified these product category headquarter and support function expenses in the prior periods period to conform to the current period presentation.

Net sales and operating profit by segment are as follows (in millions):

	Net Sales				Operating Profit				Net Sales				Operating Profit			
	Three Months				Three Months				Three Months				Three Months			
	Three Months Ended		Ended		Three Months Ended		Ended		Three Months Ended		Ended		Three Months Ended		Ended	
	September 30,	2023	September 30,	2022	2023	2023	2022	2022	2024	2024	2023	2023	2024	2024	2023	2023
Americas	1,113	1,045	450.	432.	\$.6	\$.1	\$ 0	\$ 3	\$ 1,186.5	\$ 1,141.3	\$ 639.3	\$ 608.9				
EMEA	337.9	319.3	97.7	85.8					444.8	425.6	153.0	149.5				
Asia Pacific			109.	103.												
	302.1	305.4	9	6					258.0	264.1	93.3	90.2				
Total	1,753	1,669			\$.6	\$.8			\$ 1,889.2	\$ 1,831.0						

Corporate items	(246.0)	(244.9)		(477.6)	(387.9)
Intangible asset amortization	(145.0)	(131.5)		(142.1)	(133.4)
Operating profit	266.6	245.3		265.9	327.3
	<hr/>	<hr/>		<hr/>	<hr/>
	Net Sales		Operating Profit		
	Nine Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2023	2022	2023	2022	
Americas	\$ 3,411.0	\$ 3,142.1	\$ 1,413.3	\$ 1,313.8	
EMEA	1,166.4	1,079.1	372.6	301.0	
Asia Pacific	876.7	893.6	310.5	310.2	
Total	\$ 5,454.1	\$ 5,114.8			
Corporate items			(756.3)	(802.1)	
Intangible asset amortization			(416.6)	(395.3)	
Intangible asset impairment			-	(3.0)	
Operating profit			\$ 923.5	\$ 724.6	

16.23

15. Commitments and Contingencies

From time to time, we are involved in various legal proceedings, including product liability, intellectual property, stockholder matters, tax disputes, commercial disputes, employment matters, whistleblower and *qui tam* claims and investigations, governmental proceedings and investigations, and other legal matters that arise in the normal course of our business, including those described below. On a quarterly and annual basis, we review relevant information with respect to loss contingencies and update our accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews. We establish liabilities for loss contingencies on an undiscounted basis when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. For matters where a loss is believed to be reasonably possible, but not probable, or if no reasonable

estimate of known or probable loss is available, no accrual has been made. We recognize litigation-related charges and gains in Selling, general and administrative expense on our condensed consolidated statement of earnings. The ultimate cost of litigation could be materially different than the amount of the current estimates and accruals and could have a material adverse impact on our financial condition and results of operations.

When determining the estimated loss or range of loss, significant judgment is required. Estimates of probable losses resulting from litigation and other contingencies are inherently difficult to predict, particularly when the matters are in early procedural stages with incomplete facts or legal discovery, involve unsubstantiated or indeterminate claims for damages, and/or potentially involve penalties, fines or punitive damages. In addition to the matters described herein, we remain subject to the risk of future governmental, regulatory and legal actions. Governmental and regulatory actions may lead to product recalls, injunctions and other restrictions on our operations and monetary sanctions, which may include substantial civil or criminal penalties. Actions involving intellectual property could result in a loss of patent protection or the ability to market products, which could lead to significant sales reductions or cost increases, or otherwise materially affect the results of our operations.

We recognize litigation-related charges and gains in Selling, general and administrative expense on our condensed consolidated statement of earnings. During the three and nine-month periods ended September 30, 2023, March 31, 2024 and 2023, we recognized \$2.71.0 million and \$3.83.3 million, respectively, of net litigation-related charges. During the three and nine-month periods ended September 30, 2022 December 31, 2023, we recognized an insignificant amount and a loss of \$34.7 million, respectively, of net litigation-related accrual adjustments. At September 30, 2023 and December

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31, 2022, accrued litigation liabilities were \$241.4226.5 million and \$349.2244.1 million, respectively. These litigation-related charges and accrued liabilities reflect all of our litigation-related contingencies and not just the matters discussed below. The ultimate cost of litigation could be materially different than the amount of the current estimates and accruals and could have a material adverse impact on our financial condition and results of operations.

Litigation

Durom Cup-related claims: On July 22, 2008, we temporarily suspended marketing and distribution of the Durom Cup in the U.S. Subsequently, a number of product liability lawsuits were filed against us in various U.S. and foreign jurisdictions. The plaintiffs seek damages for personal injury, and they generally allege that the Durom Cup contains defects that result in complications and revision of the device. We have settled the majority of these claims in the U.S., but other lawsuits are pending in various foreign jurisdictions and additional claims may be asserted in the future. The majority of claims outside the U.S. are pending in Germany, Netherlands and Italy.

We rely on significant estimates in determining the provisions for Durom Cup-related claims, including our estimate of the number of claims that we will receive and the average amount we will pay per claim. The actual number of claims and the actual amount we pay per claim may differ from our estimates. For various reasons, we cannot reasonably estimate the

possible loss or range of loss that may result from Durom Cup-related claims in excess of the losses we have accrued. Although we are vigorously defending these lawsuits, their ultimate resolution is uncertain. We accrued a litigation-related charge in this matter based on an estimate of the reasonably possible loss, as discussed above.

Zimmer M/L Taper, M/L Taper with Kinectiv Technology, and Versys Femoral Head-related claims ("Metal Reaction" claims): We are a defendant in a number of product liability lawsuits relating to our M/L Taper and M/L Taper with Kinectiv Technology hip stems, and Versys Femoral Head implants. The plaintiffs seek damages for personal injury, alleging that defects in the products lead to corrosion at the head/stem junction resulting in, among other things, pain, inflammation and revision surgery.

The majority of the cases are consolidated in an MDL that was created on October 3, 2018 in the U.S. District Court for the Southern District of New York (*In Re: Zimmer M/L Taper Hip Prosthesis or M/L Taper Hip Prosthesis with Kinectiv Technology and Versys Femoral Head Products Liability Litigation*). Most of the cases in the MDL have been resolved. Other related cases are pending in various state and federal courts and in courts in Canada, and additional claims may be asserted in the future. Although we are vigorously defending these lawsuits, their ultimate resolution is uncertain. We accrued a litigation-related charge in this matter based on an estimate of the reasonably possible loss, as discussed above.

Biomet metal-on-metal hip implant claims: Biomet is a defendant in a number of product liability lawsuits relating to metal-on-metal hip implants, most of which involve the M2a-Magnum hip system. Cases were originally consolidated in an MDL in the U.S. District Court for the Northern District of Indiana (*In Re: Biomet M2a Magnum Hip Implant Product Liability Litigation*), but the majority of the claims in the U.S. have been settled. Trials may still occur in the future, and although each case will be tried on its particular facts, a verdict and subsequent final judgment for the plaintiff in one or more of these cases could have a substantial impact on our potential liability. Lawsuits are pending in various foreign jurisdictions and additional claims are expected to be asserted. We continue to refine our estimates of the potential liability to resolve the remaining claims and lawsuits. Although we are vigorously

defending these lawsuits, their ultimate resolution is uncertain. We accrued a litigation-related charge in this matter based on an estimate of the reasonably possible loss, as discussed above.

Regulatory Matters, Government Investigations and Other Matters

FDA warning letter: In August 2018, we received a warning letter from the Food and Drug Administration ("FDA") related to observed non-conformities with current good manufacturing practice requirements of the Quality System Regulation (21 CFR Part 820) ("QSR") at our legacy Biomet manufacturing facility in Warsaw, Indiana (this facility is sometimes referred to in this report as the "Warsaw North Campus"). We have provided detailed responses to the FDA as

to our corrective actions and will continue to work expeditiously to address the issues identified by the FDA during inspections in Warsaw. As of September 30, 2023, the Warsaw warning letter remained pending. Until the violations cited in the pending warning letter are corrected, we may be subject to additional regulatory action by the FDA, as described more fully below. Additionally, requests for Certificates to Foreign Governments may not be granted and premarket approval applications for Class III devices to which the QSR deviations are reasonably related will not be approved until the violations have been corrected. In addition to responding to the warning letter described above, we are in the process of addressing various FDA Form 483 inspectional observations at certain of our manufacturing facilities, including observations issued by the FDA following an inspection of the Warsaw North Campus in January 2020, which inspection the FDA has classified as Voluntary Action Indicated ("VAI"). The ultimate outcome of these matters is presently uncertain. Among other available regulatory actions, the FDA may impose operating restrictions, including a ceasing of operations, at one or more facilities, enjoining and restraining certain violations of applicable law pertaining to products, seizure of products and assessing civil or criminal penalties against our officers, employees or us. The FDA could also issue a corporate warning letter or a recidivist warning letter or negotiate the entry of a consent decree of permanent injunction with us. The FDA may also recommend prosecution by the U.S. Department of Justice. Any adverse regulatory action, depending on its magnitude, may restrict us from

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effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations.

Other Contingencies

Indemnifications: As part of the ZimVie spinoff, we agreed to indemnify ZimVie for certain legal and tax matters. Our responsibilities for legal indemnification are for specifically identified matters and are subject to a maximum amount, which is not significant for us. We have made an accrual based on an estimate of the probable loss for any legal indemnification. For tax matters, our indemnification is related to tax periods prior to the spinoff and any tax liabilities that may be incurred as part of the spinoff. We have maintained accruals based upon an estimate of any possible tax indemnifications.

Contractual obligations: We have entered into development, distribution and other contractual arrangements that may result in future payments dependent upon various events such as the achievement of certain product R&D milestones, sales milestones, or, at our discretion, maintenance of exclusive rights to distribute a product. Since there is uncertainty on the timing or whether such payments will have to be made, they have not been recognized on our condensed consolidated balance sheets. These estimated payments could range from \$90 million to approximately \$485 million.

17. Subsequent Event 25

Subsequent to September 30, 2023, we closed an acquisition of a privately held company and signed an asset purchase agreement with another privately held company that is also expected to close in the fourth quarter of 2023. The initial cash consideration for these acquisitions is approximately \$102 million with additional contingent consideration of up to \$53 million if certain revenue milestones are achieved. These acquisitions provide us new surgical technology and data solutions that can be used in procedures across multiple product categories to better serve our customers. Additional information on these acquisitions have not been provided because they are not expected to have a material effect on our financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the interim condensed consolidated financial statements and corresponding notes included elsewhere in this Form 10-Q. Amounts reported in millions within this Quarterly Report on Form 10-Q are computed based on the actual amounts. As a result, the sum of the components may not equal the total amount reported in millions due to rounding. In addition, certain columns and rows within tables may not sum to the totals due to the use of rounded numbers. Percentages presented are calculated from the underlying unrounded amounts.

On March 1, 2022, we completed the spinoff of our spine and dental businesses into ZimVie. The historical results of our spine and dental businesses have been reflected as discontinued operations in our condensed consolidated financial statements through the date of the spinoff in 2022. See Note 2 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report for additional information. The discussions in the following discussion and analysis are presented on a continuing operations basis unless otherwise noted.

Executive Level Overview

Results for the Three and Nine-Month Periods **Three-Month Period ended September 30, 2023** **March 31, 2024**

We continue to recover from the effects of the COVID-19 global pandemic. In the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024, we experienced fewer disruptions to elective surgical procedures from the pandemic as compared to the three and nine-month periods ended September 30, 2022 when the Omicron variant and staffing shortages caused widespread deferrals of procedures. In addition, improvements in our supply chain, recovery from patients who deferred surgical procedures during the pandemic, new product introductions and commercial execution have contributed to our net sales growth. As a result, our net sales increased by 5.0 3.2 percent and 6.6 percent in the three and nine-month periods ended September 30, 2023, respectively, when compared to the same prior year periods. Our year-over-year net period. Net sales growth in the three-month period was aided driven by a positive 0.3 combination of

market growth, new product introductions and commercial execution across the organization. These favorable items were tempered by a negative 1.2 percent effect from changes in foreign currency exchange rates while the nine-month period experienced a negative 1.3 percent impact from changes in foreign currency exchange rates. Our year-over-year net sales growth in the first quarter of 2023 was higher than in the second and third quarters, as the disruptions to elective surgical procedures were more pronounced in the first quarter of 2022 than the second and third quarters of 2022. In addition, the third quarter of 2023 included fewer weekdays for surgical procedures to occur when compared to the number of weekdays in the third quarter of 2022.

Our net earnings were \$162.7 million and \$604.8 million \$172.4 million in the three and nine-month periods three-month period ended September 30, 2023, respectively, March 31, 2024 compared to \$194.0 million and \$361.9 million \$232.5 million in the same prior year periods, respectively period. The decline in earnings was primarily related to charges from our 2023 Restructuring Plan which was instituted at the end of 2023 and continued into 2024, including \$71.0 million in employee termination benefits-related charges recognized in the three-month period ended September 30, 2023 when compared to the same prior year period was primarily due to investments in research and development ("R&D") and commercial initiatives in the 2023 period to drive future growth as well as the fact that the prior year period included a tax benefit of approximately \$81 million from a final agreement with Swiss authorities for certain tax years. The increase in net earnings in the nine-month period ended September 30, 2023 when compared to the same prior year period was driven by the increase in net sales combined with lower litigation-related, restructuring-related and quality remediation-related charges. In addition, the prior year nine-month period included an unrealized investment loss of \$114.3 million on our investment in ZimVie. These benefits were partially offset by increased investment in R&D and commercial initiatives to drive future growth. March 31, 2024.

2023/2024 Outlook

We expect year-over-year revenue growth of mid-single digits in 2023/2024 to be driven by a combination of market growth, procedure volume recovery from COVID-19, new product introductions, commercial execution and commercial execution, continued improvements in product supply. Based on recent foreign currency exchange rates, we expect foreign currency to negatively affect year-over-year net sales growth by approximately 0.5 percent. We estimate operating profit will increase in 2024 when compared to 2023 but at a lower level than experienced in 2022. We expect that supply chain due to higher net sales, leverage from fixed operating expenses and inflation pressures will continue in 2023, but with supply chain pressure easing at the end of the year savings from our restructuring plans. However, we estimate these favorable items may be partially offset by higher intangible asset amortization and with inflation stable increased restructuring-related costs to the level experienced at the end of 2022. implement our plans. We estimate our operating expenses in 2023 will be impacted by the expected non-reoccurrence of goodwill impairment charges and lower quality remediation expenses due to the completion of our remediation milestones. We expect our net interest expense net, will increase primarily slightly due to higher interest rates. We also expect our non-operating other (expense) provision for income net, taxes will be more increase in 2024 when compared to 2023 due to the non-reoccurrence of favorable in 2023 since the 2022 expense was primarily driven by an investment loss in the shares of ZimVie that we held following the spinoff, which we disposed of in February 2023. tax settlements.

Results of Operations

We review sales by two geographies, the United States and International, and by the following product categories: Knees; Hips; S.E.T. (Sports Medicine, Extremities, Trauma, Craniomaxillofacial and Thoracic); and Other. This sales analysis differs from our reportable operating segments, which are based upon our senior management organizational structure and how we allocate resources toward achieving operating profit goals. We review sales by these geographies because the underlying market trends in any particular geography tend to be similar across product categories, because we primarily sell the same products in all geographies and many of

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our competitors publicly report in this manner. Our business is seasonal in nature to some extent, as many of our products are used in elective surgical procedures, which typically decline during the summer months and can increase at the end of the year once annual deductibles have been met on health insurance plans.

Net Sales by Geography

The following table presents our net sales by geography and the percentage changes (dollars in millions):

	Three Months Ended			Three Months Ended		
	September 30,		% Inc	March 31,		% Inc
	2023	2022		2024	2023	
United States	1,031	973.0	6.0%	1,099.2	1,060.4	3.7%
International	722.2	696.8	3.6%	790.0	770.6	2.5%
Total	1,753	1,669	5.0%	1,889.2	1,831.0	3.2%

	Nine Months Ended		
	September 30,		%
	2023	2022	
United States	3,160	2,931	7.8%
International	2,293	2,183	5.0%

Total	5,454	5,114	6.
	\$.1	\$.8	6
	<u> </u>	<u> </u>	

Net Sales by Product Category

The following table presents our net sales by product category and the percentage changes (dollars in millions):

	Three Months Ended			% Inc / (Dec)	
	September 30,				
	2023	2022			
Knees	\$ 706.3	\$ 657.0		7.5 %	
Hips	465.3	468.0		(0.6)	
S.E.T.	423.2	409.4		3.3	
Other	158.8	135.4		17.2	
Total	\$ 1,753.6	\$ 1,669.8		5.0	

	Nine Months Ended			% Inc	
	September 30,				
	2023	2022			
Knees	\$ 2,240.1	\$ 2,024.7		10.6 %	
Hips	1,462.5	1,406.2		4.0	
S.E.T.	1,299.3	1,272.6		2.1	
Other	452.2	411.3		10.0	
Total	\$ 5,454.1	\$ 5,114.8		6.6	

	Three Months Ended			% Inc / (Dec)	
	March 31,				
	2024	2023			
Knees	\$ 788.1	\$ 762.5		3.4 %	
Hips	491.2	492.8		(0.3)	
S.E.T.	452.6	433.4		4.4	
Other	157.3	142.3		10.6	
Total	\$ 1,889.2	\$ 1,831.0		3.2	

The following table presents our net sales by geography for our Knees and Hips product categories, which represent our most significant product categories (dollars in millions):

Kne es	Three		Nine		Three Months Ended March 31,	
	Months		Months			
	Ended		Ended			
	September		September			
	30,		30,			
	%		%			
	Inc		Inc			
	/		%			
202	202	(D	202	202	In	
3	2	ec)	3	2	c	
—	—	—	—	—	—	2024
—	—	—	—	—	—	2023
						% Inc / (Dec)

Demand (Volume and Mix) Trends

Changes in volume and mix of product sales had a positive effect of 4.7 percent and 8.7 percent on year-over-year sales during the three-month period ended March 31, 2024. Market growth and nine-month periods ended September 30, 2023, respectively. We saw recovery of elective surgical procedures across most of our major markets driving volume growth. In addition, new product introductions contributed positively to volume and mix trends.

Pricing Trends

Global selling prices had a minimal effect and a negative positive effect of 0.8 0.2 percent on year-over-year sales during the three and nine-month periods three-month period ended September 30, 2023, respectively. March 31, 2024. The majority of countries in which we operate continue to experience pricing pressure from local hospitals, health systems, and governmental healthcare cost containment efforts. However, we have had some success in reducing the offsetting negative effects of pricing pressure due to internal initiatives and being able to pass some inflationary impacts on to customers.

Foreign Currency Exchange Rates

For the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024, changes in foreign currency exchange rates had a positive effect of 0.3 percent and a negative effect of 1.3 1.2 percent respectively, on year-over-year sales. If foreign currency exchange rates remain at levels consistent with recent rates, we estimate there will be a negative impact of approximately 1.0 0.5 percent on full-year 2023 2024 sales.

Geography

The 6.0 percent and 7.8 3.7 percent net sales growth in the U.S. in the three and nine-month periods three-month period ended September 30, 2023, respectively, were March 31, 2024 was driven by recovery in surgical procedures as COVID-19 cases caused fewer disruptions, especially in the Knees market growth and Hips categories sales of our ROSA® Robot. Internationally, net sales increased by 3.6 percent and 5.1 2.5 percent during the three and nine-month periods three-month period ended September 30, 2023, respectively, March 31, 2024 when compared to the same prior year periods. These increases were period. This increase was similarly driven by recovery market growth in surgical procedures as COVID-19 cases caused fewer disruptions across most of our major international markets. Our International sales were positively affected by 0.7 percent and negatively affected by 3.0 2.9 percent in the three and nine-month periods ended September 30, 2023, respectively, due to changes in foreign currency exchange rates. rates in the three-month period ended March 31, 2024.

Product Categories

Knees and Hips net sales grew 7.5 3.4 percent and 10.6 declined 0.3 percent, respectively, in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024, respectively, when compared to the same prior year periods. Hips net sales declined 0.6 percent and increased 4.0 percent in the three and nine-month periods ended September 30, 2023, respectively, when compared to the same prior year periods. period. The net sales of Knees and Hips benefited from the recovery in elective surgical procedures, improvements in our supply chain market growth and new product

introductions. However, overall Hips net sales declined in the three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year period primarily due to certain bulk sales that were made internationally in the prior year period. negative effects of foreign currency. Knees net sales were positively affected by 0.2 percent and negatively affected by 1.4 percent in the three and nine-month periods ended September 30, 2023, respectively, due to changes in foreign currency exchange rates. Hips net sales were minimally affected and negatively affected by 1.6 0.9 percent and 1.8 percent, respectively, in the three and nine-month periods three-month period ended September 30, 2023, respectively, March 31, 2024 due to changes in foreign currency exchange rates. The 3.3 4.4 percent and 2.1 percent increases increase in S.E.T. net sales for the three and nine-month periods three-month period ended September 30, 2023, respectively, March 31, 2024 was the

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result of growth in our sports medicine, upper extremities, and craniomaxillofacial and thoracic products, partially offset by lower volumes in other S.E.T. products and unfavorable changes in reimbursement for certain restorative therapy products. Other net sales grew 17.2 percent and 10.0 10.6 percent in the three and nine-month periods three-month period ended September 30, 2023, respectively, March 31, 2024 driven by net sales for our ROSA® robot. Robot.

Expenses as a Percentage of Net Sales

	Three Months Ended			Nine Months Ended			Three Months Ended
	September 30,	% In c /	September 30,	% In c /	September 30,	% In c /	
Cost of products sold, excluding intangible asset amortization	20 23	20 22	ec)	20 23	20 22	ec)	March 31, 2024
	2 2	2 2		2 2	2 2	()	March 31, 2023
	9 0	9 0		8 9	9 1		(Dec)
		
	6 % 2 %	2 % 4 %		3 % 3 %	3 % 0 %		
	27.1 %	27.4 %		20.0 %	(0.3) %		
Intangible asset amortization	8 0	7 0		7 7	7 0	()	
		
	3 9	4 6		7 1)	7 1)		
					7.5		
						7.3	
						0.2	

Research and development	6	6	0	6	5	0			
			
	7	1	6	3	8	5	5.7	6.0	(0.3)
Selling, general and administrative	3	3	(	3	3	(
	8	9	0	8	9	1			
			
	5	2	7)	8	8	0)	39.0	39.1	(0.1)
Intangible asset impairment						(
					0	0			
					.	.			
					1	1)			
Restructuring and other cost reduction initiatives			((
	1	1	0	1	2	0			
			
	4	7	3)	7	5	8)	6.6	2.3	4.3
Quality remediation			((
		0	0		0	0			
				
		5	5)	-	4	4)			
Acquisition, integration, divestiture and related			(
	0	0	0	0	0	0			
			
	4	7	3)	3	2	1		0.1	(0.1)
Operating profit	1	1		1	1				
	5	4	0	6	4	2			
			
	2	7	5	9	2	7	14.1	17.9	(3.8)

Cost of products sold, **excluding intangible asset amortization** as a percentage of net sales **increased/decreased** in the three-month period ended **September 30, 2023** **March 31, 2024** when compared to the same prior year period, primarily due to **higher excess and obsolete inventory charges**. These **inventory charges** were partially offset by **higher hedge gains recognized in the current year period as part of our hedging program**, **a mix shift to higher margin products and markets**, **and lower royalty expense**. The reduction in royalty expense was partially the result of agreements we entered into **in 2023** to acquire intellectual property through the buyout of certain licensing **arrangements**.

The **decline** arrangements, which are recognized as intangible assets and result in **cost additional intangible asset amortization expense** instead of **products sold as a percentage of net sales** in the nine-month period ended **September 30, 2023** compared to the same prior year period was primarily due to **higher hedge gains recognized in the current year period**.

as part of our hedging program, a mix shift to higher margin products and markets and royalty expense. The lower royalty expense. These favorable items were expense was partially offset by higher excess and obsolete inventory charges, inflationary cost pressures and lower average selling prices. manufacturing costs.

Intangible asset amortization expense increased in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 compared to the same prior year periods period due to the 2023 acquisitions and additional amortization from the buyout of certain royalty-related licensing agreements. agreements as described above.

R&D expenses increased decreased in amount and as a percentage of net sales in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year periods. period. The increases decreases were driven by higher personnel-related costs, higher lower spending on our initial compliance with the European Union Medical Device Regulation and other R&D investments. as we continue to make progress on the approvals of our products, but were partially offset by higher personnel-related costs.

Selling, general and administrative ("SG&A") expenses increased in amount, but slightly decreased as a percentage of net sales in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year periods. period. The increases increase in expenses were was due to selling and distribution costs that are variable expenses which increase as net sales increase. Additionally, personnel-related instrument-related costs were higher due to additional headcount investments new product introductions, share-based compensation was higher due to timing of awards, and annual merit increases, and travel and entertainment costs were we recognized higher as we have increased these activities from lower pandemic levels. charges on various strategic initiatives. These higher costs were partially offset by lower share-based compensation expense in the savings from our 2023 periods due to the forfeiture of awards related to employee departures, and lower bad debt charges in the 2023 periods as we recognized higher bad debt charges in the 2022 periods that were partially related to the Russia/Ukraine conflict. Also, in the nine-month period ended September 30, 2023, litigation-related charges decreased to \$3.8 million compared to \$34.7 million in the same prior year period. Restructuring Plan.

In December of 2023, 2021 and 2019, we initiated global restructuring programs. The 2021 Restructuring Plan is intended to further reduce costs. We also have other cost reduction and to reorganize our global operations in preparation for optimization initiatives that have the spinoff of ZimVie. The 2019 Restructuring Plan has an objective goal of reducing structural costs to allow us to invest in higher priority growth opportunities. across the organization. We recognized expenses of \$24.3 million \$124.4 million and \$28.3 million \$41.8 million in the three-month periods ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$90.6 million and \$129.2 million in the nine-month periods ended September 30, 2023 and 2022, 2023, respectively, primarily related to employee termination benefits, sales agent contract terminations, and consulting fees and project management expenses associated with these programs. The expenses were lower higher in the 2024 period when compared to the 2023 periods period primarily due to charges in the 2022 periods additional expenses related to the restructuring program 2023 Restructuring Plan that had just been initiated in

December 2021, at the end of 2023. For more information regarding these charges, expenses, see Note 54 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report.

In the three and nine-month periods ended September 30, 2023, we did not recognize any significant quality remediation expenses as we completed our remediation milestones in late 2022 that addressed inspectional observations on Form 483 and a Warning Letter issued by the FDA at our Warsaw North Campus facility, among other matters.

Acquisition, integration, divestiture and related expenses decreased in amount and as a percentage of net sales in the three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year period, and increased in the nine-month period ended September 30, 2023 when compared to the same prior year period. The decrease in the three-month period was primarily due to the fact that the 2022 period included an impairment of a leased asset that was historically utilized by ZimVie, but was assigned back to us post-separation. The increase in the nine-month period was due to increases gains recognized from changes in the fair value of contingent consideration.

Other (Expense) Income, (Expense), Net, Interest Expense, Net, and Income Taxes

In the three-month period ended September 30, 2023 March 31, 2024, we recognized a gain expense of \$3.8 million \$0.1 million in our other (expense) income, (expense), net financial statement line item compared to a loss gain of \$25.4 million \$7.7 million in the same prior year period. The year-over-year change was primarily due to a loss of \$30.0 million recognized declines in the prior year related to our investment in ZimVie, while in the current year we disposed of our shares in February 2023 so there was no impact from this investment in the three-month period ended September 30, 2023. In the nine-month period ended September 30, 2023, we recognized a gain of \$10.3 million fair value in our other income (expense), net financial statement line item compared to a loss of \$124.1 million in the same prior year period. In the nine-month period ended September 30, 2023, we recognized a gain of \$2.5 million on our investment in ZimVie prior to our disposition of those shares compared to a loss of \$114.3 million in the same prior year period. equity investments.

Interest expense, net, increased in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year periods. The increases were period, primarily from higher debt borrowings in the current year periods to fund share repurchases and make other investments. In addition, in the current year periods we increased losses incurred losses on our fixed-to-variable interest rate swaps compared to gains in the prior current year periods. period.

In the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024, our effective tax rate ("ETR") was 25.7 19.7 percent compared to 18.9 percent for the three-month period ended March 31, 2023. The 19.7

percent and 22.7 percent, respectively, compared to negative 9.3 percent and positive 11.9 percent in the three and nine-month periods ended September 30, 2022, respectively. The 25.7 percent and 22.7 18.9 percent ETR in the three and nine-month three-month periods ended September 30, 2023, March 31, 2024 and 2023, respectively, was primarily driven by discrete tax effects our mix of the filing of certain tax returns earnings between U.S. and reorganizing the ownership structure of certain wholly-owned subsidiaries in the second quarter of 2023. The negative 9.3 percent and positive 11.9 percent ETR in the three and nine-month periods ended September 30, 2022, respectively, was primarily driven by a favorable tax audit settlement and finalization of the Swiss TRAF step-up, which was partially offset by the loss on our investment in ZimVie which was not deductible for tax purposes. foreign locations. Absent discrete tax events, we expect our future ETR will be lower than the U.S. corporate income tax rate of 21.0 percent due to our mix of earnings between U.S. and foreign locations, which generally have lower corporate income tax rates. Our ETR in future periods could also potentially be impacted by: changes in our mix of pre-tax earnings; changes in tax rates, tax laws or their interpretation; interpretation, including the European Union adoption of Pillar Two proposals which began to take effect in 2024; the outcome of various federal, state and foreign audits; audits, appeals, and litigation; and the expiration of certain statutes of limitations. Currently, we cannot reasonably estimate the impact of these items on our financial results. The European Union member states enacted the OECD Pillar Two Directive that generally provides for a 15% minimum tax rate. The first European Directive effective date for certain aspects of Pillar Two is January 1, 2024 and the Undertaxed Profits Rule aspect of Pillar Two will be effective on January 1, 2025. The implementation of the OECD Pillar Two rules may increase our ETR in future periods.

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Segment Operating Profit

Operating Profit as a Percentage of Net Sales					
Net Sales	Profit	Sales	Net Sales	Operating Profit	Percentage of Net Sales
Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended
September 30,	September 30,	September 30,	March 31,	March 31,	March 31,
(dollars in millions)	2023	2022	2023	2022	2023
	2023	2022	2023	2022	2023

Region		Sales Data (in millions of dollars)						Profit Data (in millions of dollars)						Gross Margin %	
		Q1			Q2			Q3			Q4			Annual Total	
Region	Period	Net Sales	Profit Margin %	Net Sales	Profit Margin %	Net Sales	Profit Margin %	Net Sales	Profit Margin %	Net Sales	Profit Margin %	Net Sales	Profit Margin %	Net Sales	Profit Margin %
Americas	Q1	1,044	4.4%	1,453	4.0%	1,502	4.1%	1,583	4.8%	1,186.5	1,141.3	639.3	608.9	53.9%	53.4%
EMEA	Q1	3.3	2	3.1	2.8	7.9	2.2	9.3	2.9	444.8	425.6	153.0	149.5	34.4	35.1
Asia Pacific	Q1	3.0	3	2.5	3.0	9.0	3.3	9.6	3.3	258.0	264.1	93.3	90.2	36.2	34.2
(dollars in millions)		Operating Profit as a Percentage of Net Sales						Operating Profit as a Percentage of Net Sales							
		Net Sales	Profit	Net Sales	Profit	Net Sales	Profit	Net Sales	Profit	Net Sales	Profit	Net Sales	Profit		
		Nine Months Ended September	30,30,30,30,30,30,	Nine Months Ended September	30,30,30,30,30,30,	Nine Months Ended September	30,30,30,30,30,30,	Nine Months Ended September	30,30,30,30,30,30,	Nine Months Ended September	30,30,30,30,30,30,	Nine Months Ended September	30,30,30,30,30,30,		
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022		
		3,1	1,4	1,4	1,3	1,4	1,3	1,4	1,3	1,4	1,3	1,4	1,3		
		1.1	1.2	1.2	1.3	1.1	1.3	1.1	1.2	1.1	1.2	1.1	1.2		
		\$0	\$1	\$3	\$8	\$4	\$8	\$4	\$8	\$4	\$8	\$4	\$8		

EME	1,	1,				
A	1	0	3	3	3	
	6	7	7	0	1	2
	6.	9.	2.	1.	.	7.
	4	1	6	0	9	9
Asia	8	8	3	3	3	
Pacif	7	9	1	1	5	3
ic	6.	3.	0.	0.	.	4.
	7	6	5	2	4	7

Americas

In the Americas, operating profit and operating profit as a percentage of net sales increased in the three-month period ended March 31, 2024 when compared to the same prior year period. The increases were primarily due to higher net sales driven by market growth and new product introductions, coupled with lower royalty expense as a result of agreements we entered into in 2023 to acquire intellectual property through the buyout of certain licensing arrangements.

EMEA

In EMEA, operating profit increased, but operating profit as a percentage of net sales decreased, in both the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year periods. The increase in operating profit in both current year periods was primarily due to higher net sales driven by continued recovery of elective surgical procedures market growth and new product introductions. improved pricing. However, operating profit as a percentage of net sales decreased in both current year periods due to higher carrying expenses manufacturing costs and a higher mix of profits from inventory at consigned locations, and continued investments in R&D, including personnel-related costs, which were partially offset by countries with lower royalty expenses as a result of agreements we entered into to acquire intellectual property through the buyout of certain licensing arrangements. The decline in operating profit as a percentage of net sales was more pronounced in the three-month period compared to the nine-month period primarily due to higher carrying expenses from inventory at consigned locations in the third quarter of 2023 compared to the first two quarters of 2023.

EMEA

In EMEA, operating profit and operating profit as a percentage of net sales increased in both the three and nine-month periods ended September 30, 2023 when compared to the same prior year periods. The increases were due to higher net sales driven by continued recovery of elective surgical procedures and improved pricing, lower bad debt charges and operating profit leverage from certain costs that do not increase as net sales increase. margins.

Asia Pacific

In Asia Pacific, operating profit and operating profit as a percentage of net sales increased in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year periods. In Asia Pacific, changes in foreign currency exchange rates have had a larger impact on our results than in

our other operating segments. While net sales declined in the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 when compared to the same prior year periods period due to changes in foreign currency exchange rates, the negative net sales impact was partially offset by higher hedge gains recognized in the current year periods period from our hedging program. As a result, net sales volume growth, lower royalty expense as a result of agreements we entered into in 2023 to acquire intellectual property through the buyout of certain licensing arrangements, and operating leverage savings from certain costs that do not increase as net sales increase our restructuring programs resulted in higher operating profit and operating profit as a percentage of sales increasing in Asia Pacific in the 2023 periods. 2024 period.

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Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, we had \$292.1 million \$393.0 million in cash and cash equivalents. In addition, we had \$1.0 billion available to borrow under our 2023 364-Day Credit Agreement, and \$1.4 billion \$1.5 billion available under our 2023 Five-Year Revolving Facility. The terms of the 2023 364-Day Credit Agreement and the 2023 Five-Year Revolving Facility are described further in Note 98 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report.

We believe that cash flows from operations, our cash and cash equivalents on hand, and available borrowings under our revolving credit facilities will be sufficient to meet our ongoing liquidity requirements for at least the next twelve months. However, it is

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possible our needs may change. Further, there can be no assurance that, if needed, we will be able to secure additional financing on terms favorable to us, if at all.

Sources of Liquidity

Cash flows provided by operating activities from continuing operations were \$993.2 million \$228.0 million in the nine-month three-month period ended September 30, 2023 March 31, 2024, compared to \$1,112.0 million \$307.7 million in the same prior year period. The decrease in the 2023 2024 period was driven by higher investments bonus, income tax and restructuring-related payments in inventory when the 2024 period. In addition, the timing of accounts payable payments

made in the 2024 period compared to the 2022/2023 period as well as higher litigation, income tax and bonus payments also resulted in the 2023 period. These unfavorable items were partially offset by higher earnings and lower restructuring-related payments, a decline in operating cash flows.

Cash flows used in investing activities from continuing operations were \$558.1 million/\$195.0 million in the nine-month/three-month period ended September 30, 2023/March 31, 2024, compared to \$409.5 million/\$149.4 million in the same prior year period. Instrument and property, plant and equipment additions reflected ongoing investments in our product portfolio, including new product introductions, optimization of our manufacturing and logistics networks, and investments in enterprise resource planning software and a new corporate jet software. In addition, in the nine-month/three-month period ended September 30, 2023/March 31, 2024 we paid \$86.4 million to acquire intellectual property through the buyout of certain licensing arrangements and \$32.9 million related to the 2023 acquisitions, invested in a debt security as well as other intangible assets.

Cash flows used in financing activities from continuing operations were \$512.1 million/\$50.1 million in the nine-month/three-month period ended September 30, 2023/March 31, 2024, compared to \$462.3 million/\$206.7 million in the same prior year period. We In the 2024 period, we borrowed a net \$70.0 million under our Uncommitted Credit Facility and used those proceeds, along with cash on hand, to repurchase \$281.9 million/\$113.6 million of our common stock. In the 2023 period, we borrowed a net \$210.0 million under our revolving credit facilities and used those proceeds, along with cash on hand, to repurchase \$267.6 million of our common stock. We also repaid a net \$20.0 million on our various revolving credit facilities and \$120.2 million of other debt obligations that were due in the first quarter of 2023. In the 2022 period, at the ZimVie spinoff date, we received \$540.6 million as partial consideration for the contribution of assets in connection with the separation. We used these proceeds, together with borrowings on our five-year revolving facility and cash on hand, to redeem the full \$750.0 million of senior notes that were due April 1, 2022. We also repaid \$242.9 million outstanding on our Japanese term loans in the third quarter of 2022 when they became due.

We place our cash and cash equivalents in highly-rated financial institutions and limit the amount of credit exposure to any one entity. We invest only in high-quality financial instruments in accordance with our internal investment policy.

As of September 30, 2023/March 31, 2024, \$250.7 million/\$350.6 million of our cash and cash equivalents were held in jurisdictions outside of the U.S. Of this amount, \$36.2 million/\$31.5 million is denominated in U.S. Dollars and, therefore, bears no foreign currency translation risk. The remaining amount is denominated in currencies of the various countries where we operate. We generally intend to limit distributions from foreign subsidiaries to earnings that were previously taxed in the U.S., primarily as a result of the transition tax or tax on Global Intangible Low-Taxed Income ("GILTI"), as we. These previously taxed earnings would not be subject to further U.S. federal tax. In addition to the previously taxed earnings, we have intercompany notes available to repatriate.

Our concentrations of credit risks with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across a number of geographic areas and by frequent monitoring of the creditworthiness of the customers to whom credit is granted in the normal course of business. Substantially all of our trade receivables are concentrated in the public and private hospital and healthcare industry in the U.S. and internationally or with distributors or

dealers who operate in international markets and, accordingly, are exposed to their respective business, economic and country-specific variables.

Material Cash Requirements from Known Contractual and Other Obligations

At September 30, 2023 March 31, 2024, we had outstanding debt of \$5,482.4 million \$5,796.2 million, of which \$355.0 million \$970.0 million was classified as current debt. The \$355.0 million Of our current debt, is \$850.0 million of senior notes mature on November 22, 2024, and the remaining \$120.0 million was outstanding under our revolving credit facilities, and Uncommitted Credit Facility which we expect to repay such debt over the next twelve months. during 2024. We believe we can satisfy these debt obligations with cash generated from our operations. operations, by issuing new debt and/or by borrowing on our committed revolving credit facilities.

For additional information on our debt, including types of debt, maturity dates, interest rates, debt covenants and available revolving credit facilities, see Note 98 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report.

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In March, May and August 2023, February 2024, our Board of Directors declared a quarterly cash dividend of \$0.24 per share. We expect to continue paying cash dividends on a quarterly basis; however, future dividends are subject to approval of the Board of Directors and may be adjusted as business needs or market conditions change.

In February 2016, our Board of Directors authorized a new \$1.0 billion share repurchase program effective March 1, 2016, with no expiration date. In the three-month period ended March 31, 2024, we repurchased approximately 0.7 million shares for \$88.0 million. As of September 30, 2023 March 31, 2024, \$591.7 million \$67.8 million remained authorized under this program.

As discussed in Note 54 to our interim condensed consolidated financial statements in Part I, Item 1 of this report, we have are executing on a 2023 Restructuring Plan, a 2021 Restructuring Plan and a 2019 Restructuring Plan. The 2023 Restructuring Plan along with other related initiatives is expected to result in total pre-tax charges of \$120 million to \$135 million by the end of 2025, of which approximately \$92 million was incurred through March 31, 2024. We expect to reduce gross annual pre-tax operating expenses by \$175 million to \$200 million relative to the 2023 baseline expenses by the end of 2025 as program benefits under the 2023 Restructuring Plan are realized. The 2021 Restructuring Plan is expected to result in total pre-tax restructuring charges of approximately \$185 million, \$180 million by the end of 2024, of which approximately \$165 million \$170 million was incurred through September 30, 2023 March 31, 2024. We expect to reduce

gross annual pre-tax operating expenses by approximately \$190 million relative to the 2021 baseline expenses by the end of 2024 as program benefits under the 2021 Restructuring Plan are realized. The 2019 Restructuring Plan is expected to result in total pre-tax restructuring charges of approximately \$370 million, by the end of 2025, of which approximately \$300 million \$336 million was incurred through September 30, 2023 March 31, 2024. In our original estimates, we expected to reduce gross annual pre-tax operating expenses by approximately \$180 million to \$280 million relative to the 2019 baseline expenses by the end of 2023 as program benefits under the 2019 Restructuring Plan are were realized. Our latest estimates indicate that we will be near the low end of that range. range, and the full benefits will not be realized until we complete the closure of a manufacturing facility, which is expected to occur in 2025.

As discussed in Note 13 12 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report, the IRS has issued proposed adjustments for years 2010 through 2012, as well as proposed adjustments for years 2013 through 2015, reallocating profits between certain of our U.S. and foreign subsidiaries, for years 2016 through 2019. We have disputed these proposed adjustments and intend to continue to vigorously defend our positions. Although the ultimate timing for resolution of the disputed tax issues is uncertain, future payments may be significant to our operating cash flows.

As discussed in Note 16 15 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report, we are involved in various litigation matters. We estimate the total liabilities for all litigation matters was \$241.4 million \$226.5 million as of September 30, 2023 March 31, 2024. However, litigation is inherently uncertain, and upon resolution of any of these uncertainties, we may incur charges in excess of these estimates, and may in the future incur other material judgments or enter into other material settlements of claims. We expect to pay these liabilities over the next few years. Additionally, we have entered into development, distribution and other contractual arrangements that may result in future payments dependent upon various events such as the achievement of certain product R&D milestones, sales milestones, or, at our discretion, maintenance of exclusive rights to distribute a product. Since there is uncertainty on the timing or whether such payments will have to be made, they have not been recognized on our condensed consolidated balance sheets. These estimated payments could range from \$9 million \$0 to approximately \$485 million \$405 million.

As discussed in Note 17 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report, we have entered into agreements to pay initial cash consideration of approximately \$102 million in the fourth quarter of 2023 to acquire two privately held companies.

Recent Accounting Pronouncements

Information pertaining to recent accounting pronouncements can be found in Note 32 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report.

Critical Accounting Estimates

The preparation of our financial statements is affected by the selection and application of accounting policies and methods, and also requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities

and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations. There were no changes in the three-month period ended **September 30, 2023** **March 31, 2024** to our critical accounting estimates as described in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

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Cautionary Note Regarding Forward-Looking Statements and Factors That May Affect Future Results

This quarterly report contains certain statements that are forward-looking statements within the meaning of federal securities laws. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this report, the words "may," "will," "can," "should," "would," "could," "anticipate," "expect," "plan," "seek," "believe," "are confident that," "look forward to," "predict," "estimate," "potential," "project," "target," "forecast," "see," "intend," "design," "strive," "strategy," "future," "opportunity," "assume," "guide," "position," "continue" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on current beliefs, expectations and assumptions of management and are subject to significant risks, uncertainties and changes in circumstances that could cause actual results to differ materially from such forward-looking statements. These risks, uncertainties and changes in circumstances include, but are not limited to:

- competition;
- pricing pressures;
- dependence on new product development, technological advances and innovation;
- changes in customer demand for our products and services caused by demographic changes, obsolescence, development of different therapies or other factors;
- shifts in the product category or regional sales mix of our products and services;
- the effects of business disruptions, either alone or in combination with other risks on our business and operations, such as those business disruptions associated with the COVID-19 pandemic; operations;
- the risks and uncertainties related to our ability to successfully execute our restructuring plans;
- control of costs and expenses;
- our ability to attract, retain and develop the highly skilled employees, senior management, independent agents and distributors we need to support our business;

- the possibility that the anticipated synergies and other benefits from mergers and acquisitions will not be realized, will not be realized within the expected time periods;
- the risks and uncertainties related to our ability to successfully integrate the operations, products, employees and distributors of acquired companies;
- the effect of the potential disruption of management's attention from ongoing business operations due to integration matters related to mergers and acquisitions; the effect of mergers and acquisitions on our relationships with customers, suppliers and lenders and on our operating results and businesses generally;
- the ability to form and implement alliances;
- dependence on a limited number of suppliers for key raw materials and other inputs and for outsourced activities;
- the risk of disruptions in the supply of materials and components used in manufacturing or sterilizing our products;
- supply and prices of raw materials and products;
- breaches or failures of our information technology systems or products, including by cyberattack, unauthorized access or theft;
- challenges relating to changes in and compliance with governmental laws and regulations affecting our U.S. and international businesses, including regulations of the U.S. Food and Drug Administration ("FDA") and foreign other government regulators, such as more stringent requirements for regulatory clearance of products;
- the outcome of government investigations in any jurisdiction;
- dependence on new product development, technological advances and innovation;
- shifts in the product category or regional sales mix of our products and services;
- competition;
- pricing pressures;
- changes in customer demand for our products and services caused by demographic changes or other factors; investigations;
- the impact of healthcare reform and cost containment measures, including efforts sponsored by government agencies, legislative bodies, the private sector and healthcare purchasing organizations, through reductions in reimbursement levels, repayment demands and otherwise;
- the impact of substantial indebtedness on our ability to service our debt obligations and/or refinance amounts outstanding under our debt obligations at maturity on terms favorable to us, or at all;
- changes in tax obligations arising from examinations by tax authorities and from changes in tax laws in jurisdiction where we do business, including those expected to occur as a result of the "base erosion and profit shifting" project ("Pillar Two") undertaken by the Organisation for Economic Co-operation and Development and otherwise;
- challenges to the tax-free nature of the ZimVie spinoff transaction and the subsequent liquidation of our retained interest in ZimVie;

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- the risk of additional tax liability due to the recategorization of our independent agents and distributors to employees

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- the risk that material impairment of the carrying value of our intangible assets, including goodwill, could negatively affect our operating results;
- changes in general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations;
- changes in general industry and market conditions, including domestic and international growth, inflation and currency exchange rates;
- the domestic and international business impact of political, social and economic instability, tariffs, trade restrictions and embargoes, sanctions, wars, disputes and other conflicts, including on our ability to operate in, export from or collect accounts receivable in affected countries;
- challenges relating to changes in and compliance with governmental laws and regulations affecting our U.S. and international businesses, including regulations of the FDA and ~~foreign~~ other government regulators relating to medical products, healthcare fraud and abuse laws and data privacy and security laws;
- the success of our quality and operational excellence initiatives;
- the ability to remediate matters identified in inspectional observations or warning letters issued by the FDA and other regulators, while continuing to satisfy the demand for our products;
- product liability, intellectual property and commercial litigation losses; and
- the ability to obtain and maintain adequate intellectual property protection.

Our Annual Report on Form 10-K for the year ended ~~December 31, 2022~~ and this Quarterly Report on Form 10-Q ~~contain~~ December 31, 2023 contains detailed discussions of these and other important factors under the heading "Risk Factors." You should understand that it is not possible to predict or identify all factors that could cause actual results to differ materially from forward-looking statements. Consequently, you should not consider any list or discussion of such factors to be a complete set of all potential risks or uncertainties.

Forward-looking statements speak only as of the date they are made and we expressly disclaim any ~~intention or~~ obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Readers of this report are cautioned not to rely on these forward-looking statements since there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes from the information provided in our Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the quarter ended **September 30, 2023** March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II – Other Information

Item 1. Legal Proceedings

Information pertaining to legal proceedings can be found in Note **16** 15 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report and is incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023 ("2022 2023 Form 10-K"), which could materially affect our business, financial condition and results of operations. The risks described in our **2022** 2023 Form 10-K are not the only

risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the three-month period ended March 31, 2024, we issued 0.2 million shares of our common stock valued at \$23.4 million upon the achievement of a commercial milestone related to the Embody acquisition. The shares were issued to the former Embody shareholders whom we reasonably believed to be accredited investors in a private transaction exempt from registration under Section 4(a)(2) and Regulation D under the Securities Act. To minimize dilution from issuing shares for the milestone settlement, we repurchased 0.2 million shares of our common stock in February 2024.

Issuer Purchases of Equity Securities

None The following table summarizes repurchases of common stock settled during the three-month period ended March 31, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as a Part of Publicly Announced Program ⁽¹⁾	Maximum Approximate Dollar Value of Shares that may yet be Purchased Under the Program ⁽¹⁾
January 2024	530,017	\$ 120.94	530,017	\$ 91,702,916
February 2024	192,737	123.87	192,737	67,828,222
March 2024	-	-	-	67,828,222
Total	722,754	\$ 121.72	722,754	\$ 67,828,222

⁽¹⁾ In February 2016, our Board of Directors authorized a \$1.0 billion share repurchase program effective March 1, 2016, with no expiration date.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the three-month period ended September 30, 2023 March 31, 2024, the Audit Committee of our Board of Directors approved the engagement of PricewaterhouseCoopers LLP, our independent registered public accounting firm, to

perform certain **non-audit** audit-related and tax services. This disclosure is made pursuant to Section 10A(i)(2) of the Exchange Act, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

During the three-month period ended **September 30, 2023** **March 31, 2024**, no members of our Board of Directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, amended or terminated any contract, instruction or written plan for the purchase or sale of our

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securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement, as defined in rules of the Securities and Exchange Commission.

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Item 6. Exhibits

The following exhibits are filed or furnished as part of this report:

3.1 [Restated Certificate of Incorporation of Zimmer Biomet Holdings, Inc., dated May 17, 2021 \(incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed May 20, 2021\)](#)

3.2 [Restated Bylaws of Zimmer Biomet Holdings, Inc., effective December 14, 2022 \(incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed February 24, 2023\)](#)

10.1 [Five-Year Revolving Credit Form of Amendment to Change in Control Severance Agreement dated as of July 7, 2023, among Zimmer Biomet Holdings, Inc., the lenders party thereto with Ivan Tornos, Suketu Upadhyay, Rachel Ellingson, Lori Winkler and JPMorgan Chase Bank, N.A., as administrative agent Paul Stellato \(incorporated by reference to Exhibit 10.1 10.51 to the Registrant's Current Annual Report on Form 8-K 10-K filed July 10, 2023 February 23, 2024\)](#)

10.2	<u>364-Day Revolving Credit Amendment to Change in Control Severance Agreement dated as of July 7, 2023, among February 19, 2024 between Zimmer Biomet Holdings, Inc., the lenders party thereto GmbH and JPMorgan Chase Bank, N.A., as administrative agent Wilfred van Zuilen (incorporated by reference to Exhibit 10.2 10.52 to the Registrant's Current Annual Report on Form 8-K 10-K filed July 10, 2023 February 23, 2024).</u>
10.3	<u>Offer Letter, Deed of Amendment dated as of August 21, 2023, by and February 19, 2024 between Zimmer Biomet Holdings, Inc. Asia (HK) Limited and Ivan Tornos Sang-Uk Yi (incorporated by reference to Exhibit 10.1 10.53 to the Registrant's Current Annual Report on Form 8-K 10-K filed August 22, 2023 February 23, 2024).</u>
10.4	<u>Form of Change in Control Severance Agreement dated as of August 21, 2023, by and between Zimmer Biomet Holdings, Inc. and Ivan Tornos with Mark Bezjak (incorporated by reference to Exhibit 10.2 10.54 to the Registrant's Current Annual Report on Form 8-K 10-K filed August 22, 2023 February 23, 2024).</u>
10.5	<u>Chief Executive Officer Confidentiality, Non-Competition and Non-Solicitation Agreement, dated as of August 21, 2023, by and between Zimmer Biomet Holdings, Inc. and Ivan Tornos (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed August 22, 2023)</u>
10.6	<u>Zimmer Biomet Holdings, Inc. Deferred Compensation Plan for Non-Employee Directors, as amended August 25, 2023</u>
21	<u>List of Subsidiaries of Zimmer Biomet Holdings, Inc.</u>
31.1	<u>Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZIMMER BIOMET HOLDINGS, INC.

(Registrant)

Date: November 7, 2023 May 2, 2024

By: /s/ Suketu Upadhyay

Suketu Upadhyay

Chief Financial Officer and Executive Vice
President - Finance, Operations and Supply Chain
(Principal Financial Officer)

Date: November 7, 2023 May 2, 2024

By: /s/ Paul Stellato

Paul Stellato

Vice President, Controller and Chief Accounting
Officer
(Principal Accounting Officer)

ZIMMER BIOMET HOLDINGS, INC.
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
(As Amended on August 25, 2023)

Section 1. Eligibility.

Any member of the Board of Directors (the "Board") of Zimmer Biomet Holdings, Inc. (the "Company") who is not an officer or employee of the Company or a subsidiary thereof is eligible to participate in the Plan and will be a participant.

Section 2. Deferred Compensation Account.

There shall be established on the books of the Company for each participant a deferred compensation account in the participant's name.

Section 3. Amount of Deferral.

(a) Mandatory Deferrals. If a participant has not yet met the guideline level of Share Unit or Company common stock ownership established by the Board, fifty percent of the basic fee payable to a participant for membership on the Board (the "Mandatory Deferral") shall be deferred and credited to the participant's deferred compensation account as Share Units equal to the number of shares of the Company's common stock that could have been purchased with the deferred fee, determined by dividing the dollar value of the deferred fee by the fair market value of a share of the Company's common stock as reported in The Wall Street Journal on the effective date of the deferral. As an additional Mandatory Deferral, on the date of each annual

or (2) any percentage specified by the participant of the compensation described in clause (1) that is in excess of the participant's Mandatory Deferral.

Section 4. Form and Computation of Deferred Amounts.

Subject to Section 3, at the time a participant elects to make an Elective Deferral, the participant shall elect to have the Elective Deferral credited to his or her deferred compensation account as Treasury Units, Dollar Units, or Share Units (each an "Investment Option"). A participant may allocate the Elective Deferrals among the Investment Options in increments of 0%, 33 1/3%, 50%, 66 2/3% or 100%. Any deferred amount credited to a participant's deferred compensation account as Treasury Units shall be credited with interest at a rate to be set by the Company in January of each year after a review of the six-month United States Treasury bill discount rates for the preceding year. Any deferred amount credited to a participant's deferred compensation account as Dollar Units shall be credited with interest at a rate to be set by the Company in January of each year after a review of investment return on the invested cash of the Company. If a participant elects to allocate a deferred amount to Share Units, the participant will be credited with Share Units equal to the number of shares of the Company's common stock that could have

meeting of the stockholders of the Company ("Annual Meeting"), each participant will receive a number of deferred Share Units with a value, as of the date of the Annual Meeting, of \$75,000 (the "Annual Deferred Share Units"), determined by dividing such value by the fair market value of a share of the Company's common stock as reported in The Wall Street Journal on the date of grant.

(b) *Elective Deferrals.* For any calendar year, a participant may elect to defer receipt of compensation in excess of the participant's Mandatory Deferral for that year (the "Elective Deferral") by filing the appropriate form in accordance with Section 8 and requesting deferral of: (1) all of the participant's compensation in excess of the participant's Mandatory Deferral payable to the participant for serving on the Board and any committee thereof;

recapitalization, stock split or other change in corporate structure or capitalization affecting the Company's common stock. At its discretion, the Board may discontinue, modify, or offer additional Investment Options.

Section 5. Period of Deferral.

A participant's Mandatory Deferrals, including Annual Deferred Share Units, will be paid sixty days after the participant's Separation From Service, which is defined as the expiration or other termination of all contracts, agreements, or arrangements under which the participant performs services for the Company, or any other company under common control with the Company, whether as a Director or other independent contractor or employee, provided that the expiration or termination constitutes a good-faith and complete termination of the contractual relationship between the participant and the Company (and all other companies under common control with the Company). Whether a Separation From Service has occurred for purposes of this Plan will be determined in accordance with the applicable standards under Section

been purchased with the deferred amount, determined by dividing the dollar value of the deferred amount by the fair market value of a share of the Company's common stock as reported in The Wall Street Journal on the effective date of the deferral. Upon payment by the Company of dividends on its common stock, the amount credited to a participant's deferred compensation account as Share Units shall be credited with an amount equal to the number of Share Units multiplied by a fraction, the numerator of which is the amount of the dividend and the denominator of which is the fair market value of a share of the Company's common stock as reported in The Wall Street Journal on the day the dividend is payable. The amount of Share Units in a participant's deferred compensation account shall be adjusted in the discretion of the Board to take into account a merger, consolidation, reorganization,

Section 6. Form of Payment.

Mandatory Deferrals, including Annual Deferred Share Units, will be paid in shares of the Company's common stock.

At the time a participant makes a deferral election in accordance with Section 8 and 9, the participant may elect the form of payment for amounts attributable to the Elective Deferrals that are the subject of that election. A participant may elect to receive payment of amounts attributable to Elective Deferrals in either (1) a lump sum cash payment or (2) a number of annual cash installments, not more than ten, as specified by the participant. If installment payments are elected, the amount of each installment shall be equal to the balance in the participant's deferred compensation account divided by the number of installments remaining to be paid (including the installment in question). If a participant fails to make a timely election as to form of payment, payment will be made in a lump sum cash payment.

Section 7. Death Prior to Receipt.

409A of the Internal Revenue Code of 1986, as amended (the "Code"), including § 1.409A-1(h) ("Section 409A"). At the time a participant makes a deferral election in accordance with Section 8 and 9, the participant may elect the period of deferral for amounts attributable to the Elective Deferrals that are the subject of that election. A participant may elect to defer receipt of amounts attributable to Elective Deferrals (1) until a specified year in the future, (2) until the participant's Separation From Service, or (3) until the end of the calendar year in which the participant's Separation From Service occurs. If the participant elects alternative (1), payment will be made or commence within sixty days after the beginning of the year specified in the election; if the participant elects alternative (2), payment will be made or commence within sixty days after the participant's Separation From Service; and if the participant elects alternative (3), payment will be made or commence within sixty days after the end of the calendar year in which the participant's Separation From Service occurs. If, with respect to an Elective Deferral, a participant does not make a timely election (in accordance with Section 8) as to the period of deferral, payment of amounts attributable to the Elective Deferral will be made or commence within sixty days after the participant's Separation From Service.

payments would have been made to the participant had he or she survived. For purposes of this Section 7, any amounts deferred as Share Units will be converted to Dollar Units by multiplying the number of Share Units credited to a participant's deferred compensation account on the date of his or her death by the fair market value of a share of the Company's common stock on such date as reported in The Wall Street Journal.

Section 8. Time of Election of Deferral.

If a participant dies prior to receipt of any of the amounts payable pursuant to this Plan, the participant's Mandatory Deferrals, including Annual Deferred Share Units, will be paid, in shares of the Company's common stock, to the participant's beneficiary or estate, as the case may be, within sixty days after the participant's death.

At the time a participant makes a deferral election in accordance with Section 8, the participant may elect that, in the event he or she dies prior to receipt of any of the amounts payable pursuant to this Plan, the participant's deferred compensation account attributable to Elective Deferrals will be paid to the participant's beneficiaries or estate, as the case may be, in either (1) a lump sum cash payment within sixty days following the participant's death, or (2) a number of annual cash installments, not more than ten, as specified by the participant. If the participant elects alternative (2), the initial installment payment to the beneficiaries or estate will be made sixty days after the participant's death, and the amount of each installment will be determined as provided in the third sentence of Section 6. If payment to the participant pursuant to clause (2) of Section 6 had commenced prior to death, the installment payments to the participant's beneficiaries or estate, as the case may be, will be made at the same time and in the same amount as installment

Section 10. Effect of Election.

A Deferral Election shall be irrevocable by the participant once the calendar year to which it applies has commenced. An election may be discontinued or modified by the participant with respect to calendar years not yet begun by notifying the Corporate Secretary's Office of the Company in writing no later than November 30th of the preceding year.

Section 11. Maximum Number of Shares.

This Section 8 governs the time for making "Deferral Elections," which include elections to make Elective Deferrals pursuant to Section 3, elections as to the form and computation of deferred amounts pursuant to Section 4, elections of the period of deferral pursuant to Section 5, elections of the form of payment pursuant to Section 6, and elections with respect to death benefits pursuant to Section 7.

A nominee for election as a new (not returning) Director may make a Deferral Election prior to his or her election for the calendar year in which he or she is being elected, except that a person elected a new Director by the Board may make a Deferral Election within 30 days after his/her election as a Director (to the extent such election is compliant under Section 409A), in which event the Deferral Election shall be effective only with respect to compensation paid after the Deferral Election is made. A person then currently serving as a Director may make a Deferral Election with respect to compensation for the next succeeding calendar year no later than the preceding November 30th. This Deferral Election will be deemed to apply for each succeeding calendar year, unless (1) the participant elects, in accordance with Section 10, to discontinue the Deferral Election or make a new Deferral Election, or (2) the election is stated, in writing, to apply only to the current calendar year.

Section 9. Manner of Electing Deferral.

A participant may make a Deferral Election by giving written notice to the Corporate Secretary's Office of the Company on a form provided by the Company, which notice shall include the amount to be deferred, the form in which the amount deferred is to be credited, the period of deferral and the form of payment, including the number of installments, if any.

Section 15. Administration.

The Plan will be administered under the supervision of the Board, which will have the authority to adopt rules and

The maximum number of shares of the Company's common stock that may be issued and distributed under this Plan shall be Two Hundred Thousand (200,000) shares, subject to adjustment as provided under Section 4, above.

Section 12. Participant's Rights Unsecured.

The right of any participant to receive future payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Company.

Section 13. Statement of Account.

A statement will be sent to each participant each year reflecting the value of his or her deferred compensation account as of the end of the preceding year.

Section 14. Assignability and Beneficiaries.

No right to receive payments under the Plan shall be transferable or assignable by a participant other than by will or under the laws of descent and distribution, except that a participant may designate one or more beneficiaries pursuant to the provisions of this Section. On a form to be provided by the Corporate Secretary's Office of the Company, a participant may name beneficiaries to receive any amounts to which the participant may be entitled under the Plan in the event of the participant's death. A participant may change his or her beneficiary designation from time to time in the same manner. If a participant fails to designate any beneficiary, or if no designated beneficiary is living on the date on which any payment becomes payable to the participant's beneficiaries, the payment will be payable to the participant's estate.

the Board, which will have the authority to adopt rules and regulations to carry out the Plan and to interpret, construe and implement the provisions of the Plan. The Plan, as amended and restated, is intended to comply with Section 409A and will be construed accordingly. In construing or interpreting any vague or ambiguous Plan provision, the interpretation that will prevail is the interpretation that will cause the Plan to comply with the applicable standards under Code Section 409A. To the extent that any terms of the Plan would subject any participant to gross income inclusion, interest, or additional tax pursuant to Code Section 409A, the Company shall not be responsible.

Section 16. Amendment.

This Plan may at any time or from time to time be amended, modified or terminated by the Board. No amendment, modification or termination shall, without the consent of the participant, adversely affect that participant's accruals in his or her deferred compensation account as of the date of amendment, modification or termination.

Section 17. Governing Law.

The validity, construction, interpretation and effect of the Plan and agreements issued under the Plan shall be governed and construed by and determined in accordance with the Code, and, to the extent not in conflict, with the laws of the State of Indiana, without giving effect to the conflict of laws provisions thereof.

Section 18. Termination Date.

The Plan shall terminate effective as of December 31, 2032. Notwithstanding the foregoing, any Mandatory Deferrals and Elective Deferrals deferred prior to January 1, 2033 shall be distributed in accordance with the Plan as in effect on December 31, 2032.

Exhibit 21

Subsidiaries of Zimmer Biomet Holdings, Inc.

As of September 30, 2023 March 31, 2024

Name of Subsidiary¹

Jurisdiction of Formation

Domestic subsidiaries:

A&E Advanced Closure Systems, LLC	Delaware
A&E Medical Corp.	New Jersey
Alto Development Corp.	New Jersey
Armada Merger Corp. Avitus Orthopaedics, Inc.	Delaware
Biomet Biologics, LLC	Indiana
Biomet CV Holdings, LLC	Delaware
Biomet Fair Lawn LLC	Indiana
Biomet International, Inc.	Delaware
Biomet Leasing, Inc.	Indiana
Biomet Manufacturing, LLC	Indiana
Biomet Microfixation, LLC	Florida
dba Zimmer Biomet CMF and Thoracic	
Biomet Orthopedics, LLC	Indiana
Biomet Sports Medicine, LLC	Indiana
dba Biomet Sports Medicine Limited Liability Company (<i>Forced</i>)	
Biomet Trauma, LLC	Indiana
Biomet U.S. Reconstruction, LLC	Indiana
Biomet, Inc.	Indiana
dba Zimmer Biomet	
Cayenne Medical, Inc.	Delaware
CD Diagnostics, Inc.	Delaware
CD Laboratories, Inc.	Maryland
Citra Labs, LLC	Indiana
dba Biomet Citra Labs, LLC (<i>Forced</i>)	
Dornoch Medical Systems, Inc.	Illinois
Embody, Inc.	Virginia
ETEX Corporation	Massachusetts
dba Zimmer ETEX	
dba Zimmer Biomet ETEX	

ETEX Holdings, Inc.	Delaware
dba Zimmer ETEX	
dba Zimmer Biomet ETEX	
Interpore Cross International, LLC	California
dba Zimmer Biomet Irvine	
Jace Medical, LLC	Indiana
LVB Acquisition, Inc.	Delaware
Medical Compression Systems, Inc.	Delaware
Medtech Surgical, Inc.	Delaware
Orthopaedic Advantage, LLC	Indiana
ReLign Corporation	Delaware
Synvasive Technology, Inc.	California
VSC Medical Holdings Inc.	Delaware
ZB EMEA US UK LLC	Delaware
ZB Manufacturing, LLC	Delaware
Zimmer Biomet Americas Holding LLC	Delaware
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Zimmer Biomet Distribution LLC	Delaware
Zimmer Biomet Integrations LLC	Delaware
Zimmer Biomet Leasing LLC	Delaware
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Zimmer Caribe, LLC	Delaware
Zimmer CEP USA, Inc.	Delaware
Zimmer Co-op Holdings, LLC	Delaware
Zimmer CV, Inc.	Delaware
Zimmer Knee Creations, Inc.	Delaware
Zimmer Orthobiologics, Inc.	New Jersey
Zimmer Production, Inc.	Delaware
Zimmer Southeast Florida, LLC	Delaware
Zimmer Spine Next, Inc.	Delaware
Zimmer Surgical, Inc.	Delaware
Zimmer Trabecular Metal Technology, Inc.	New Jersey

Zimmer US, Inc.	Delaware
dba Zimmer Biomet	
dba Zimmer Biomet Bay Area	
dba Zimmer Biomet Mid-Atlantic	
dba Zimmer Biomet North Texas	
dba Zimmer Biomet Southern California	
dba Zimmer US Cooperative	
dba Compression Therapy Concepts	
dba CTC Inc.	
Zimmer, Inc.	Delaware
dba Zimmer Biomet	
dba Zimmer Biomet Corporate Services (<i>Forced</i>)	
dba Z Hotel	
dba CD Diagnostics	
dba CD Laboratories	

Foreign subsidiaries:

Biomet Argentina SA	Argentina
OSSIS Australia Pty Limited	Australia
Zimmer Australia Holding Pty. Ltd.	Australia
Zimmer Biomet Pty. Pty Ltd.	Australia
Zimmer Biomet Austria GmbH	Austria
ZH2LX Barbados Branch (branch)	Barbados
Zimmer Biomet Finance Srl	Barbados
Zimmer Biomet BV	Belgium
Biomet Insurance Ltd.	Bermuda
Biomet Brazil Medical Device Ltda.	Brazil
WM World Medical Importacao e Exportacao Ltda.	Brazil
Zimmer Biomet Brasil Ltda.	Brazil
ORTHOsoft ULC	Canada
dba Zimmer CAS	
Zimmer Biomet Canada, Inc.	Canada
ZB Cayman (Asia) Holding Ltd.	Cayman Islands
Biomet Chile SA	Chile
Beijing Montagne Medical Device Co. Ltd.	China

Biomet China Co., Ltd.	China
Changzhou Biomet Medical Devices Co. Ltd.	China
Shanghai Biomet Business Consulting Co. Ltd.	China
Zhejiang Biomet Medical Products Co. Ltd.	China
Zimmer Biomet CBT	China
Zimmer (Shanghai) Medical International Trading Co., Ltd.	China
Zimmer (Shanghai) Medical International Trading Co., Ltd. - Beijing Branch (branch)	China
Zimmer Biomet Colombia SAS	Colombia
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Zimmer Biomet Centroamerica SA	Costa Rica
Zimmer Czech sro	Czech Republic
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Zimmer Biomet Denmark ApS	Denmark
Zimmer Biomet Finland Oy	Finland
Biomet France Sarl	France
Medtech SAS	France
Neosteo SAS	France
Zimmer Biomet France SAS	France
Zimmer Biomet France Holdings SAS	France
Biomet Deutschland GmbH	Germany
Zimmer Biomet Healthcare Management GmbH	Germany
Zimmer Biomet Deutschland GmbH	Germany
Zimmer Germany Holdings GmbH	Germany
Zimmer International Logistics GmbH	Germany
Zimmer Biomet Hellas SA	Greece
Biomet Hong Kong Holding Ltd.	Hong Kong
ZB Hong Kong Holding Ltd.	Hong Kong
ZB Hong Kong Ltd.	Hong Kong
Zimmer Asia (HK) Ltd.	Hong Kong
Zimmer India Private Ltd.	India
Zimmer Biomet Ireland Holdings Limited	Ireland

Zimmer Biomet Ireland Limited	Ireland
Zimmer Orthopedics Manufacturing Limited	Ireland
D.S. Comp Ltd.	Israel
Zimmer Biomet Comp Ltd.	Israel
Zimmer Biomet Medical Israel Ltd.	Israel
Zimmer Biomet Italia Srl	Italy
Zimmer Biomet GK	Japan
Zimmer Biomet Kikaku G.K.	Japan
Zimmer Biomet Korea Ltd.	Korea
Zimmer GmbH, Representative Office Lebanon (Branch) (branch)	Lebanon
Zimmer Biomet OUS Holdings AG	Liechtenstein
ZB Holding Luxembourg Sarl	Luxembourg
Zimmer Luxembourg Sarl	Luxembourg
Zimmer Luxembourg II Sarl	Luxembourg
Zimmer Medical Malaysia SDN BHD	Malaysia
Biomet Mexico S.A. de C.V.	Mexico
Representaciones Zimmer Inc., S. de R.L. de C.V.	Mexico
A&E Medical Europe BV	Netherlands
A&E Medical Europe Cooperatief U.A.	Netherlands
Biomet C.V.	Netherlands
Biomet Global Supply Chain Center B.V.	Netherlands
Biomet Holdings B.V.	Netherlands
Medical Concepts Holding B.V.	Netherlands
ZB COOP C.V.	Netherlands
Zimmer Biomet Asia Holding B.V.	Netherlands
Zimmer Biomet Nederland B.V.	Netherlands
Zimmer Manufacturing B.V.	Netherlands
OSSIS Corporation	New Zealand
Zimmer Biomet New Zealand Company	New Zealand
Zimmer Biomet NZ Holdings Corporation	New Zealand
Zimmer Biomet Norway AS	Norway
Zimmer Biomet Polska Sp. z.o.o	Poland
Zimmer Biomet Portugal Unipessoal, Lda	Portugal
Biomet Orthopedics Puerto Rico, Inc.	Puerto Rico
Zimmer Manufacturing B.V. (branch)	Puerto Rico

Zimmer Biomet Romania S.R.L.

Romania

Zimmer CIS Ltd.

Russia

Zimmer Biomet Asel Alarabiya Limited Company

Saudi Arabia

Zimmer GmbH, Zimmer Biomet Regional Headquarters (branch)

Saudi Arabia

Zimmer Biomet Asia Holdings Pte. Ltd.

Singapore

Zimmer Pte. Ltd.

Singapore

Zimmer Slovakia sro

Slovakia

Zimmer Biomet South Africa (Pty) Ltd.

South Africa

Biomet Spain Orthopaedics S.L.

Spain

Zimmer Biomet Spain S.L.

Spain

Biomet Cementing Technologies AB

Sweden

Scandimed Holding AB

Sweden

Zimmer Biomet Sweden AB

Sweden

Zimmer Biomet Global Holdings Switzerland GmbH

Switzerland

Zimmer Biomet OUS Holdings 1 GmbH

Switzerland

Zimmer GmbH

Switzerland

Zimmer GmbH, Euro IP Branch (branch)

Switzerland

Zimmer GmbH, Distribution (branch)

Switzerland

Zimmer GmbH, Zug Branch (branch)

Switzerland

Zimmer Surgical SA

Switzerland

Zimmer Switzerland Holdings LLC

Switzerland

Zimmer Switzerland Manufacturing GmbH

Switzerland

Zimmer Biomet Taiwan Co., Ltd.

Taiwan

Zimmer Biomet (Thailand) Co., Ltd.

Thailand

Zimmer Biomet Tibbi Cihazlar Sanayi ve Ticaret Anonim Sirketi

Turkey

Zimmer Gulf FZ LLC

United Arab Emirates

Biomet Acquisitions (Unlimited)

United Kingdom

Biomet UK Ltd.

United Kingdom

Biomet UK Healthcare Ltd.

United Kingdom

ZB EMEA 1 LP

United Kingdom

ZB EMEA Finance UK 1 Ltd.

United Kingdom

ZB EMEA Finance UK 2 Ltd.	United Kingdom
ZB EMEA Finance UK 3 Ltd.	United Kingdom
ZB EMEA Finance UK 4 Ltd.	United Kingdom
ZB UK Group Holdings Limited	United Kingdom
ZB UK Plant Holdings Limited	United Kingdom
Zimmer Biomet UK Ltd.	United Kingdom
Zimmer Trustee Ltd.	United Kingdom
Zimmer UK Limited	United Kingdom
Pte. Ltd., The Representative Office of Zimmer Pte. Ltd. in Hanoi City (branch)	Vietnam

¹ Excludes certain entities that have de minimis activity or are in the process of being liquidated or dissolved and that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ivan Tornos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Zimmer Biomet Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 7, 2023** **May 2, 2024**

/s/ Ivan Tornos

Ivan Tornos

President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Suketu Upadhyay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Zimmer Biomet Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 2, 2024

/s/ Suketu Upadhyay

Suketu Upadhyay

Chief Financial Officer and Executive Vice

President - Finance, Operations and Supply

Chain

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Zimmer Biomet Holdings, Inc. (the "Company") for the period ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ivan Tornos

Ivan Tornos

President and Chief Executive Officer

November 7, 2023 **May 2, 2024**

/s/ Suketu Upadhyay

Suketu Upadhyay

*Chief Financial Officer and Executive Vice
President - Finance, Operations and Supply
Chain*

November 7, 2023 **May 2, 2024**

DISCLAIMER

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