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DELTA REPORT

10-Q

ZBH - ZIMMER BIOMET HOLDINGS, I

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

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TOTAL DELTAS 1102

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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 **June** **September** 30, 2023

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 **July 26, 2023** **November 2, 2023**, **208,964,134** **208,980,711** shares of the registrant's \$.01 par value common stock were outstanding.

ZIMMER BIOMET HOLDINGS, INC.

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June **September 30, 2023**

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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		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net Sales	1,8	1,7	3,7	3,4	1,7	1,6	5,4	5,1
	69.	81.	00.	45.	53.	69.	54.	14.
	\$ 6	\$ 8	\$ 6	\$ 0	\$ 6	\$ 8	\$ 1	\$ 8
Cost of products sold, excluding intangible asset amortization			1,0	1,0			1,5	1,4
	525	511	26.	11.	518	488	45.	99.
	.5	.0	3	0	.6	.2	0	2
Intangible asset amortization	138	133	271	263	145	131	416	39
	.2	.0	.6	.8	.0	.5	.6	5.3
Research and development	118	99.	228	196	116	101	345	29
	.1	4	.5	.3	.9	.7	.4	8.0
Selling, general and administrative			1,4	1,3			2,1	2,0
	725	695	41.	79.	674	654	16.	34.
	.8	.2	8	7	.9	.9	6	6
Intangible asset impairment	-	3.0	-	3.0	-	-	-	3.0
Restructuring and other cost reduction initiatives	24.	57.	66.	100	24.	28.	90.	12
	4	0	3	.9	3	3	6	9.2
Quality remediation				14.				22.
	-	7.8	-	3	-	8.1	-	4
Acquisition, integration, divestiture and related	7.9	(5.5)	9.1	(3.3)	7.3	8	4	8.5
Operating expenses	1,5	1,5	3,0	2,9	1,4	1,4	4,5	4,3
	39.	00.	43.	65.	87.	24.	30.	90.
	9	9	6	7	0	5	6	2
Operating Profit	329	280	656	479	266	245	923	72
	.6	.9	.9	.3	.6	.3	.5	4.6
Other (expense) income, net			(42.	(98.				
	(1.2)	6)	6.5	7)				

Other income (expense), net					(25.	10.	(12	
					3.8	4)	3	4.1)
Interest expense, net	(51.	(38.	(99.	(79.	(51.	(42.	(15	(12
	6)	8)	8)	9)	1)	3)	0.9)	2.2)
Earnings from continuing operations before income taxes	276	199	563	300	219	177	782	47
	.8	.5	.6	.7	.2	.6	.8	8.3
Provision for income taxes from continuing operations	66.	45.	121	73.				
	9	5	.0	5				
Provision (benefit) for income taxes from continuing operations					56.	(16.	177	56.
					4	6)	4	9
Net Earnings from continuing operations	209	154	442	227	162	194	605	42
	.9	.0	.6	.2	.8	.2	.4	1.4
Less: Net earnings attributable to noncontrolling interest	0.2	0.3	0.5	0.5	0.2	0.2	0.6	0.7
Net Earnings from Continuing Operations of Zimmer Biomet Holdings, Inc.	209	153	442	226	162	194	604	42
	.6	.7	.1	.7	.7	.0	.8	0.7
Loss from discontinued operations, net of taxes	-	-	-	(8)	-	-	-	(8)
Net Earnings of Zimmer Biomet Holdings, Inc.	209	153	442	167	162	194	604	36
	\$.6	\$.7	\$.1	\$.9	\$.7	\$.0	\$.8	\$ 1.9
Earnings Per Common Share - Basic								
Earnings from continuing operations	1.0	0.7	2.1	1.0	0.7	0.9	2.8	2.0
	\$ 0	\$ 3	\$ 2	\$ 8	\$ 8	\$ 2	\$ 9	\$ 1
Loss from discontinued operations	-	-	-	(8)	-	-	-	(8)
Net Earnings Per Common Share - Basic	1.0	0.7	2.1	0.8	0.7	0.9	2.8	1.7
	\$ 0	\$ 3	\$ 2	\$ 0	\$ 8	\$ 2	\$ 9	\$ 3
Earnings Per Common Share - Diluted								

Earnings from continuing operations	1.0	0.7	2.1	1.0	0.7	0.9	2.8	2.0
	\$ 0	\$ 3	\$ 0	\$ 8	\$ 7	\$ 2	\$ 8	\$ 0
Loss from discontinued operations	-	-	-	(8)	-	-	-	(28)
Net Earnings Per Common Share - Diluted	1.0	0.7	2.1	0.8	0.7	0.9	2.8	1.7
Weighted Average Common Shares Outstanding	\$ 0	\$ 3	\$ 0	\$ 0	\$ 7	\$ 2	\$ 8	\$ 2
Basic	208	209	209	209	208	209	209	20
	.6	.6	.0	.4	.9	.8	.0	9.5
Diluted	209	210	210	210	210	210	210	21
	.9	.3	.1	.2	.0	.3	.1	0.2

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				Three Months			
	Ended		Six Months Ended		Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net Earnings of Zimmer Biomet Holdings, Inc.	20	15	44	16	16	19	60	36
	\$ 9.6	\$ 3.7	\$ 2.1	\$ 7.9	\$ 2.7	\$ 4.0	\$ 4.8	\$ 1.9
Other Comprehensive Income (Loss):								
Foreign currency cumulative translation adjustments, net of tax	(2 6.5)	(9 2.1)	(1 4.1)	(9 0.8)	(2 2.7)	(9 5.6)	(3 6.7)	(18 6.4)
Unrealized cash flow hedge gains, net of tax	47.	65.	55.	79.	33.	53.	89.	13
Reclassification adjustments on hedges, net of tax	1 (1 9.3)	6 (9. 7)	9 (3 8.3)	3 (1 4.0)	8 (1 9.1)	9 (1 4.4)	7 (5 7.4)	3.2 (28 .4)

Adjustments to prior service cost and unrecognized actuarial assumptions, net of tax	(1. 1)	2.6	0)	3.5	(0. 7)	3.7	(2. 8)	7.2
Total Other Comprehensive Income (Loss)	0.2	(3.6)	1.5	(2.0)	(8. 7)	(5 2.4)	(7. 2)	(74 .4)
Total Other Comprehensive Loss								
Comprehensive Income Attributable to								
Zimmer Biomet Holdings, Inc.	20	12	44	14	15	14	59	28
	\$ 9.8	\$ 0.1	\$ 3.6	\$ 5.9	\$ 4.0	\$ 1.6	\$ 7.6	\$ 7.5

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 BALANCE SHEETS

(in millions, except share amounts, unaudited)

ASSETS	December		September 30, 2023	December 31, 2022
	June 30, 2023	31, 2022		
Current Assets:				
Cash and cash equivalents	319. \$ 8	375. \$ 7	292. \$ 1	375. \$ 7
Accounts receivable, less allowance for credit losses	1,36 7.3	1,38 1.5	1,34 0.7	1,38 1.5
Inventories	2,27 5.8	2,14 7.2	2,32 3.3	2,14 7.2
Prepaid expenses and other current assets	425. 1	522. 9	415. 8	522. 9
Total Current Assets	4,38 7.9	4,42 7.3	4,37 2.0	4,42 7.3
Property, plant and equipment, net	1,97 5.0	1,87 2.5	2,03 2.2	1,87 2.5

Goodwill	8,74	8,58	8,71	8,58
	3.7	0.2	0.4	0.2
Intangible assets, net	5,02	5,06	4,89	5,06
	7.7	3.8	1.7	3.8
Other assets	1,16	1,12	1,21	1,12
	0.0	2.2	1.0	2.2
Total Assets	21,2	21,0	21,2	21,0
	\$ 94.3	\$ 66.0	\$ 17.3	\$ 66.0
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	354.	354.	319.	354.
	\$ 6	\$ 1	\$ 7	\$ 1
Income taxes payable	81.6	38.5	97.1	38.5
Other current liabilities	1,27	1,42	1,29	1,42
	7.6	1.3	9.8	1.3
Current portion of long-term debt	520.	544.	355.	544.
	0	3	0	3
Total Current Liabilities	2,23	2,35	2,07	2,35
	3.7	8.2	1.5	8.2
Deferred income taxes, net	474.	474.	465.	474.
	9	8	4	8
Long-term income tax payable	375.	421.	403.	421.
	7	2	1	2
Other long-term liabilities	642.	632.	631.	632.
	0	6	9	6
Long-term debt	5,18	5,15	5,12	5,15
	9.4	2.2	7.4	2.2
Total Liabilities	8,91	9,03	8,69	9,03
	5.8	9.0	9.3	9.0
Commitments and Contingencies (Note 16)				
Stockholders' Equity:				
Zimmer Biomet Holdings, Inc. Stockholders' Equity:				
Common stock, \$0.01 par value, one billion shares authorized, 315.8 million shares as of June 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, 316.0 million shares as of September 30, 2023 (313.8 million as of December 31, 2022) issued			3.2	3.1
Paid-in capital	9,76	9,50	9,80	9,50
	6.0	4.4	1.4	4.4
Retained earnings	9,90	9,55	10,0	9,55
	2.3	9.3	14.9	9.3
Accumulated other comprehensive loss	(177	(179.	(186.	(179.
	.8)	3)	5)	3)
Treasury stock, 107.0 million shares as of June 30, 2023 (104.8 million as of December 31, 2022)	(7,1	(6,86		
	<u>22.2)</u>	<u>7.2)</u>		
Treasury stock, 107.0 million shares as of September 30, 2023 (104.8 million as of December 31, 2022)			(7,12	(6,86
			<u>2.2)</u>	<u>7.2)</u>
Total Zimmer Biomet Holdings, Inc. stockholders' equity	12,3	12,0	12,5	12,0
	71.5	20.3	10.8	20.3
Noncontrolling interest	7.1	6.7	7.2	6.7
Total Stockholders' Equity	<u>12,3</u>	<u>12,0</u>	<u>12,5</u>	<u>12,0</u>
	<u>78.6</u>	<u>27.0</u>	<u>18.0</u>	<u>27.0</u>
Total Liabilities and Stockholders' Equity	<u>21,2</u>	<u>21,0</u>	<u>21,2</u>	<u>21,0</u>
	<u>\$ 94.3</u>	<u>\$ 66.0</u>	<u>\$ 17.3</u>	<u>\$ 66.0</u>

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						
Common Shares	Paid-in	Retained	Accumulat	Comprehe	Noncontrol	Total Stockholde
			ed			
			Other			

	Number	Amount	Capital	Earnings	(Loss)	Number	Amount	Interest	Equity
					Income				
Balance April 1,	315.4	315.		9,692.4	9,	9,741.7	9,	(178.0	17
2023 July 1, 2023	8	\$ 3.2	\$ 766.0	\$ 902.3	\$ 7.8)	.0)	\$ 1,122.2	\$ 6.9	\$ 2,378.6
Net earnings				209.6	162				209.8
					.7			0.2	9
Other comprehensive									
income loss					0.2	(8.7)			0.2
Cash dividends declared									
(\$0.24 per share)					(50.1)				(50.1)
Stock compensation plans	0.3	0.2		58.1	1.1			0.7	59.9
Embody, Inc. acquisition									
consideration	0.1			15.5	35.4				15.5
Embody, Inc. acquisition									
consideration									
Share repurchases						(0.1)	(14.3)		(14.3)
Balance June 30, 2023	315.8								
Balance September 30,				9,766.09	9,902.31	(177.8	18		12,378.6
2023	\$ 316.0	3.2	\$ 801.4	\$ 0,014.9	\$ 6.5)	(107.0)	\$ (7,122.2)	\$ 7.1	\$ 2,518.0
Balance April 1, 2022	313.4	\$ 3.1	\$ 9,385.7	\$ 9,503.1	\$ (158.9)	(103.8)	\$ (6,717.5)	\$ 5.9	\$ 12,021.4
Net earnings					153.7				0.3
Other comprehensive loss					(33.6)				(33.6)
Cash dividends declared									
(\$0.24 per share)					(50.3)				(50.3)
Stock compensation plans				33.1					33.1
Balance June 30,									
2022 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
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	-	-	442.1 604	-	-	.8	-	-	0.5 0.6	-	4
Other comprehensive	-	-	-	-	1.5 (7.2)	-	-	-	-	-	1.5 (7.2)
income loss	-	-	-	-	-	-	-	-	-	-	-
Cash dividends declared	-	-	(100.5 15)	-	-	-	-	-	-	-	(100.5 150)
(\$0.24 0.72 per share)	-	-	-	0.6)	-	-	-	-	-	-	.6)
Stock compensation plans	-	113.5 148.	-	-	-	-	-	-	-	-	115.9 151.
	0.8 1.0	-	9	1.4	-	-	-	1.0	-	-	3
Embody, Inc. acquisition	-	-	-	-	-	-	-	-	-	-	-
consideration	1.2	0.1	150.4	-	-	-	-	-	-	-	150.5
Share repurchases	-	-	(2.3)	-	-	-	(2.2)	(256.0)	-	-	(258.3)
Balance June 30,	315.8 316.	\$ 3.2	\$ 801.4	\$ 0,014.9	\$ 6.5)	(177.8 18)					12,378.6 1
2023 September 30, 2023	0	\$ 3.2	\$ 801.4	\$ 0,014.9	\$ 6.5)	(107.0)	\$ (7,122.2)	\$ 7.1 7.2	\$ 2,518.0		
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	-	-	167.9 361	-	-	.9	-	-	0.5 0.7	-	6
Other comprehensive loss	-	-	-	-	(22.0 74.	-	-	-	-	-	(22.0 74.4)
	-	-	-	-	4)	-	-	-	-	-	-
Cash dividends declared	-	-	(100.6 15)	-	-	-	-	-	-	-	(100.6 151)
(\$0.24 0.72 per share)	-	-	-	1.1)	-	-	-	-	-	-	.1)
Reclassifications of net	-	-	-	-	-	-	-	-	-	-	-
investment hedges	-	-	-	-	25.9	-	-	-	-	-	25.9
Spinoff of ZimVie Inc.	-	-	(753.1 76	-	-	-	-	-	-	-	(717.9 728)
	-	-	3.4)	35.2	-	-	-	-	-	-	.2)
Stock compensation plans	-	104.0 149.	-	-	-	-	-	-	-	-	104.4 149.
	0.6 0.8	-	1	0.1 0.3	-	-	-	0.3 0.5	-	-	9

Balance June 30,	313.4	313.	\$ 3.1	\$ 9,418.8	9,	\$ 9,606.5	9,	\$ (192.5	24)	(103.8)	\$ (6,717.5	6)	\$ 6.2	6.4	\$ 12,124.6	1
2022 September 30, 2022	6			463.9		739.9		4.9			,717.3				2,251.1	

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 Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash flows provided by (used in) operating activities from continuing operations:				
Net earnings from continuing operations	\$ 442.6	\$ 227.2	\$ 605.4	\$ 421.4
Adjustments to reconcile net earnings from continuing operations to cash provided by operating activities from continuing operations:				
Depreciation and amortization	469.3	466.5	710.5	697.9
Share-based compensation	58.9	50.8	74.5	78.2
Intangible asset impairment	-	3.0	-	3.0
(Gain) loss on investment in ZimVie Inc.	(2.5)	84.3	(2.5)	114.3
Changes in operating assets and liabilities, net of acquired assets and liabilities				
Income taxes	13.8	13.0	23.4	(12.4)
Receivables	8.0	(81.8)	15.5	(114.5)
Inventories	(148.0)	(26.4)	(212.2)	(63.5)
Accounts payable and accrued liabilities	(185.2)	(49.9)	(219.5)	(1.6)
Other assets and liabilities	(1.3)	(25.5)	(2.0)	(10.8)
Net cash provided by operating activities from continuing operations	655.6	661.2	993.2	1,112.0
Cash flows provided by (used in) investing activities from continuing operations:				

Additions to instruments	(168.3)	(120.6)	(232.8)	(192.2)
Additions to other property, plant and equipment	(144.0)	(77.3)	(228.3)	(124.5)
Net investment hedge settlements	19.0	33.9	27.2	71.2
Acquisition of intellectual property rights	(73.3)	-	(86.4)	-
Business combination investments, net of acquired cash	(32.9)	(99.8)	(32.9)	(99.8)
Other investing activities	7.0	(60.5)	(5.0)	(64.2)
Net cash used in investing activities from continuing operations	(392.5)	(324.3)	(558.1)	(409.5)
Cash flows provided by (used in) financing activities from continuing operations:				
Proceeds from revolving facility	570.0	220.0		
Payments on revolving facility	(425.0)	(220.0)		
Net payments on revolving facilities			(20.0)	-
Redemption of senior notes	(86.3)	(750.0)	(86.3)	(750.0)
Payment on term loan	(33.9)	-		
Proceeds from term loan			-	83.0
Payments on term loans			(33.9)	(242.9)
Dividends paid to stockholders	(100.6)	(100.5)	(150.7)	(150.8)
Proceeds from employee stock compensation plans	61.1	45.0	81.8	63.2
Distribution from ZimVie Inc.	-	540.6	-	540.6
Business combination contingent consideration payments	(10.3)	-	(10.3)	-
Deferred business combination payments	(4.0)	-	(4.0)	-
Repurchase of common stock	(281.9)	-	(281.9)	-
Other financing activities	(5.2)	(3.5)	(6.8)	(5.4)
Net cash used in financing activities from continuing operations	(316.1)	(268.4)	(512.1)	(462.3)
Cash flows provided by (used in) discontinued operations:				
Net cash used in operating activities	-	(71.5)	-	(71.5)
Net cash used in investing activities	-	(7.2)	-	(7.2)
Net cash used in financing activities	-	(68.1)	-	(68.1)
Net cash used in discontinued operations	-	(146.8)	-	(146.8)

Effect of exchange rates on cash and cash equivalents	(2.9)	(13.8)	(6.5)	(26.5)
Decrease in cash and cash equivalents	(55.9)	(92.1)		
Change in cash and cash equivalents			(83.5)	66.9
Cash and cash equivalents, beginning of year (includes \$100.4 at January 1, 2022 of discontinued operations cash)	375.7	478.5	375.7	478.5
Cash and cash equivalents, end of period	<u>\$ 319.8</u>	<u>\$ 386.4</u>	<u>\$ 292.1</u>	<u>\$ 545.4</u>

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.

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 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 in the near term.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 agreements 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 six-month periods ended June 30, 2023 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 six-month period ended June 30, 2023 September 30, 2023, we recognized a gain of \$2.5 million related to our investment in ZimVie. In the three and six-month periods ended June 30, 2022 September 30, 2022, we recognized losses of \$33.3 million and \$84.3 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 **six-month** **nine-month** period ended **June 30, 2023** **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 **six** **nine** month-period ended **June 30, 2023** **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):

	Six Months Ended		Nine Months Ended	
	June 30,		September 30,	
	2022	2022	2022	2022
Net Sales	\$	147.8	\$	147.8
Cost of products sold, excluding intangible asset amortization		53.5		53.5
Intangible asset amortization		14.0		14.0
Research and development		10.5		10.5
Selling, general and administrative		89.4		89.4

Restructuring and other cost reduction initiatives	0.4	0.4
Acquisition, integration, divestiture and related	40.9	40.9
Other expense, net	0.3	0.3
Loss from discontinued operations before income taxes	(61.2)	(61.2)
Benefit for income taxes from discontinued operations	(2.4)	(2.4)
Loss from discontinued operations, net of tax	\$ (58.8)	\$ (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 are no recently issued accounting pronouncements that we have not yet adopted that are expected to have a material effect on our financial position, results of operations or cash flows.

4. Revenue

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

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
United States	1,06	1,01	29.	58.	1,0	31.	973	60.
	\$ 8.9	\$ 7.6	\$ 2	\$ 8	\$ 4	\$.0	\$ 6	\$ 8
International	800.	764.	71.	86.	722	696	93.	83.
	7	2	4	2	.2	.8	5	0

Total	3,7	3,4	1,7	1,6	5,4	5,1
I	1,86	1,78	00.	45.	53.	69.
	\$ 9.6	\$ 1.8	\$ 6	\$ 0	\$ 6	\$ 8

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

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Knees	771.	704.	1,53	1,36	706.	657.	2,24	2,02
Hips	\$ 4	\$ 9	\$ 3.9	\$ 7.7	\$ 3	\$ 0	\$ 0.1	\$ 4.7
S.E.T.	504.	487.	997.	938.	465.	468.	1,46	1,40
Other	3	2	1	2	3	0	2.5	6.2
Total	442.	446.	876.	863.	423.	409.	1,29	1,27
	7	4	1	2	2	4	9.3	2.6
	151.	143.	293.	275.	158.	135.	452.	411.
	2	3	5	9	8	4	2	3
Total	1,86	1,78	3,70	3,44	1,75	1,66	5,45	5,11
	\$ 9.6	\$ 1.8	\$ 0.6	\$ 5.0	\$ 3.6	\$ 9.8	\$ 4.1	\$ 4.8

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

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. Restructuring

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 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):

	Employ ee Termina tion Benefit s				Employ ee Termina tion Benefit s			
	Contract		Contract		Contract		Contract	
	Termina tions	Other	Termina tions	Other	Termina tions	Other	Termina tions	Other
Expenses incurred in the three months ended June 30, 2023	\$ 1.5	\$ 1.9	\$ 6	\$ 6.0	2.			
Expenses incurred in the three months ended September 30, 2023						\$ 1.0	\$ 4.5	\$ 5 \$ 9.0
Balance, December 31, 2022	10.		3.	38.		10.		3. 38.
	\$ 5	\$ 25.0	\$ 1	\$ 6		\$ 5	\$ 25.0	\$ 1 \$ 6
Expenses incurred in the six months ended June 30, 2023	3.9	16.2	1	2	4.	24.		
Expenses incurred in the nine months ended September 30, 2023							4.9 20.7	6 2 33.
Cash payments		(17.	(3.	(27			(23.	(6. (39
		(6.6)	7)	1)			(9.5)	(4) 3) .2)
Foreign currency exchange rate changes	0.2	0.6	-	0.8		(0.1)	(0.1)	- 2)
Balance, June 30, 2023	\$ 8.0	\$ 24.1	\$ 1	\$ 2	4.	36.		
Balance, September 30, 2023						\$ 5.8	\$ 22.2	\$ 4 \$ 4
Expense incurred since the start of the 2021 Restructuring Plan	57.		31	15		58.		34 16
	\$ 0	\$ 68.0	\$.0	\$ 6.0		\$ 0	\$ 72.5	\$.5 \$ 5.0

Expense estimated to be recognized for the 2021 Restructuring Plan	70.	35	18	70.	35	18		
	\$ 0	\$ 80.0	\$.0	\$ 5.0	\$ 0	\$ 80.0	\$.0	\$ 5.0

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 \$350 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					
	Employee				
	Termination		Contract		
	Benefits	Terminations	Other		Total
Cost of products sold, excluding intangible asset amortization	\$ -	\$ -	\$ 3.0	\$ 3.0	\$ 3.0
Restructuring and other cost reduction initiatives	3.2	-	1.9	5.1	
	<u>\$ 3.2</u>	<u>\$ -</u>	<u>\$ 4.9</u>	<u>\$ 8.1</u>	
Nine Months Ended September 30, 2023					
	Employee				
	Termination		Contract		
	Benefits	Terminations	Other		Total
Cost of products sold, excluding intangible asset amortization	\$ -	\$ -	\$ 3.0	\$ 3.0	\$ 3.0
Restructuring and other cost reduction initiatives	2.1	-	17.4	19.5	
	<u>\$ 2.1</u>	<u>\$ -</u>	<u>\$ 20.4</u>	<u>\$ 22.5</u>	

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

	Employee			
	Termination		Contract	
	Termination			
	Benefits	s	Other	Total

Expenses incurred in the three months ended June 30, 2023	\$ (1.1)	\$ -	\$ 9.4	\$ 8.3
Balance, December 31, 2022	\$ 28.9	\$ 9.0	\$ 6.4	\$ 44.3
Expenses incurred in the six months ended June 30, 2023	(1.1)	-	15.5	14.4
Cash payments	(2.5)	(1.9)	(17.4)	(21.8)
Foreign currency exchange rate changes	0.9	-	0.1	1.0
Balance, June 30, 2023	<u>\$ 26.2</u>	<u>\$ 7.1</u>	<u>\$ 4.6</u>	<u>\$ 37.9</u>
Expense incurred since the start of the 2019 Restructuring Plan	\$ 107.2	\$ 35.0	\$ 150.1	\$ 292.3
Expense estimated to be recognized for the 2019 Restructuring Plan	\$ 135.0	\$ 35.0	\$ 180.0	\$ 350.0
Employee				
Termination				
Contract				
Termination				
Benefits				
s				
Other				
Total				
Balance, December 31, 2022	\$ 28.9	\$ 9.0	\$ 6.4	\$ 44.3
Expenses incurred in the nine months ended September 30, 2023	2.1	-	20.4	22.5
Cash payments	(2.9)	(2.5)	(22.8)	(28.2)
Foreign currency exchange rate changes	0.9	-	-	0.9
Balance, September 30, 2023	<u>\$ 29.0</u>	<u>\$ 6.5</u>	<u>\$ 4.0</u>	<u>\$ 39.5</u>
Expense incurred since the start of the 2019 Restructuring Plan	\$ 110.4	\$ 35.0	\$ 155.0	\$ 300.4
Expense estimated to be recognized for the 2019 Restructuring Plan	\$ 155.0	\$ 35.0	\$ 180.0	\$ 370.0

We do not include restructuring charges in the operating profit of our reportable segments.

In our condensed consolidated statement of earnings, we report restructuring charges the expenses for other cost reduction and optimization initiatives in our "Restructuring and other cost reduction initiatives" financial statement line item. We report the expenses for other cost reduction and optimization initiatives with restructuring expenses item because 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. Inventories

	June 30,		December 31,		September 30,		December 31,	
	2023		2022		2023		2022	
	(in millions)				(in millions)			
Finished goods	\$ 1,727.2		\$ 1,655.0		\$ 1,769.9		\$ 1,655.0	
Work in progress	256.3		230.9		251.9		230.9	
Raw materials	292.3		261.3		301.5		261.3	
Inventories	<u>\$ 2,275.8</u>		<u>\$ 2,147.2</u>		<u>\$ 2,323.3</u>		<u>\$ 2,147.2</u>	

7. Property, Plant and Equipment

	June 30,		December 31,		September 30,		December 31,	
	2023		2022		2023		2022	
	(in millions)				(in millions)			
Land	\$ 17.6		\$ 19.2		\$ 17.5		\$ 19.2	
Buildings and equipment	2,151.2		2,093.4		2,158.8		2,093.4	
Capitalized software costs	541.9		518.2		556.9		518.2	
Instruments	3,808.0		3,683.5		3,670.6		3,683.5	
Construction in progress	198.6		144.1		242.8		144.1	
	6,717.3		6,458.4		6,646.6		6,458.4	
Accumulated depreciation	(4,742.3)		(4,585.9)		(4,614.4)		(4,585.9)	
Property, plant and equipment, net	<u>\$ 1,975.0</u>		<u>\$ 1,872.5</u>		<u>\$ 2,032.2</u>		<u>\$ 1,872.5</u>	

We had \$15.7 million and \$17.0 million of property, plant and equipment included in accounts payable as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

8. 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. 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 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.

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 goodwill related to the 2023 acquisitions is not expected to be deductible for tax purposes. The goodwill related to the Embody acquisition is included in the Americas operating segment and the Americas Orthopedics reporting unit. The goodwill related to the April acquisition is included in the Asia Pacific operating segment and reporting unit. The goodwill related to the 2023 acquisitions was the only significant activity related to our consolidated goodwill balance in the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, other than changes related to foreign currency exchange rate translation adjustments.

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The purchase price allocations for the 2023 acquisitions are preliminary as of **June 30, 2023** **September 30, 2023**. We need additional time to evaluate the tax attributes of the 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	\$ 4.9
Intangible assets subject to amortization:		
Technology	97.3	98.8
Customer relationships	9.4	9.4
Intangible assets not subject to amortization:		
In-process research and development (IPR&D)	36.3	36.3
Goodwill	155.0	149.3
Other assets	4.9	4.5
Total assets acquired	307.9	303.3
Current liabilities	1.2	1.2
Deferred income taxes	35.2	30.6
Total liabilities assumed	36.4	31.8
Net assets acquired	\$ 271.5	\$ 271.5

The amortization periods selected for technology and customer relationships were 15 years and 5 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 **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, 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 **six-month** **nine-month** period ended **June 30, 2023** **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		
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.

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In the **six-month** **nine-month** period ended **June 30, 2023** **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 **have mostly been paid. We have recognized a current liability for the remaining portion are reflected in investing cash flows in our condensed consolidated statements of the fixed payments that will be made primarily in the third quarter of 2023** **cash flows**.

9. Debt

Our debt consisted of the following (in millions):

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Current portion of long-term debt				
Short-Term Term Loan	\$ -	\$ 83.0	\$ -	\$ 83.0

2022 Five-Year Credit				
Agreement	520.0	375.0		
Uncommitted Credit Facility			300.0	-
Five-Year Credit Agreement			55.0	375.0
3.700% Senior Notes due 2023	-	86.3	-	86.3
Total current portion of long-term debt	\$ 520.0	\$ 544.3	\$ 355.0	\$ 544.3
Long-term debt				
1.450% Senior Notes due 2024	850.0	850.0	850.0	850.0
3.550% Senior Notes due 2025	863.0	863.0	863.0	863.0
3.050% Senior Notes due 2026	600.0	600.0	600.0	600.0
3.550% Senior Notes due 2030	257.5	257.5	257.5	257.5
2.600% Senior Notes due 2031	750.0	750.0	750.0	750.0
4.250% Senior Notes due 2035	253.4	253.4	253.4	253.4
5.750% Senior Notes due 2039	317.8	317.8	317.8	317.8
4.450% Senior Notes due 2045	395.4	395.4	395.4	395.4
2.425% Euro Notes due 2026	545.5	533.6	529.4	533.6
1.164% Euro Notes due 2027	545.5	533.6	529.4	533.6
Debt discount and issuance costs	(27.1)	(30.1)	(25.8)	(30.1)
Adjustment related to interest rate swaps	(161.6)	(172.0)	(192.7)	(172.0)
Total long-term debt	\$ 5,189.4	\$ 5,152.2	\$ 5,127.4	\$ 5,152.2

At June 30, 2023 September 30, 2023, our total current and non-current debt of \$5.7 5.5 billion consisted of \$5.4 5.3 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 \$520.0 300.0 million of outstanding borrowings under the 2022 Five-Year Revolving Uncommitted Credit Facility (defined below), partially offset by debt discount and issuance costs of \$27.1 25.8 million and fair value adjustments related to interest rate swaps totaling \$161.6 192.7 million.

In the six-month nine-month period ended June 30, 2023 September 30, 2023, we redeemed the \$83.0 million outstanding principal amount of our Short-Term Term Loan and the \$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. As of September 30, 2023, there were outstanding borrowings of \$300.0 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") 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 **2022** **2023** Five-Year Credit Agreement as of **June 30, 2023** **September 30, 2023**. As of **June 30, 2023** **September 30, 2023**, there were outstanding borrowings of **\$520.0** **55.0** million under the **2022** **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 **2022** **2023** 364-Day Revolving Credit Agreement as of **June 30, 2023** **September 30, 2023**. As of **June 30, 2023** **September 30, 2023**, there were no outstanding borrowings under the **2022** **2023** 364-Day Revolving Credit Agreement.

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 **June 30, 2023** **September 30, 2023**, based on quoted prices for the specific securities from transactions in over-the-counter markets (Level 2), was **\$4,913.2** **4,804.7** million. The carrying value of the outstanding **\$520.0** **55.0** million and **\$300.0** million principal balance balances of the **2022** **2023** Five-Year Credit Agreement approximates its and Uncommitted Credit Facility, respectively, approximate their fair value as **it bears** **they bear** interest at short-term market rates.

10. 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 **six-month** **nine-month** period ended **June 30, 2022** **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.

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

	Foreign		Cash		Defined		Total	
	Currency		Flow		Benefit			
	Translation	Hedges	Plan Items	AOCI				
Balance at December 31, 2022	\$ (169.3)	\$ 69.6	\$ (79.6)	\$ (179.3)				
AOCI before reclassifications	(14.1)	55.9	-	41.8				
Reclassifications to statements of earnings	-	(38.3)	(2.0)	(40.3)				
Balance at June 30, 2023	<u>\$ (183.4)</u>	<u>\$ 87.2</u>	<u>\$ (81.6)</u>	<u>\$ (177.8)</u>				

	Foreign		Cash		Defined		Total
	Currency		Flow		Benefit		

	Translation	Hedges	Plan Items	AOCI
Balance at December 31, 2022	\$ (169.3)	\$ 69.6	\$ (79.6)	\$ (179.3)
AOCI before reclassifications	(36.7)	89.7	-	53.0
Reclassifications to statements of earnings	-	(57.4)	(2.8)	(60.2)
Balance at September 30, 2023	<u>\$ (206.0)</u>	<u>\$ 101.9</u>	<u>\$ (82.4)</u>	<u>\$ (186.5)</u>

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

Component of AOCI	Amount of Gain (Loss) Reclassified from AOCI				Location on Statement of Earnings	Amount of Gain (Loss) Reclassified from AOCI				Location on Statement of Earnings		
	Three Months		Nine Months			Ended		Ended				
	Ended	Six Months Ended	Ended	Ended		2023	2022	2023	2022			
	June 30,	June 30,	September 30,	September 30,								
Cash flow hedges												
Foreign exchange forward contracts	1.23	4.1.	1.6.	1.6.	Cost of products sold	2.3.	1.7.	6.9.	3.3.	Cost of products sold		
Forward starting interest rate swaps	(\$.5)	(\$ 4)	(\$ 6)	(\$ 5)	Interest expense, net	(\$ 3)	(\$ 0)	(\$ 9)	(\$ 6)	Interest expense, net		
	1.23	4.1.	1.6.	1.6.	Total before tax	2.3.	1.6.	6.9.	3.3.	Total before tax		
	.3	2	2	1	Provision for income taxes	2	8	4	0	Provision for income taxes		
	4.0	1.5	7.9	2.1		4.1	2.4	2.0	4.6			

		3	1	Net of	1	1	5	2	Net of
	19	9.	8.	4.	tax	9.	4.	7.	8.
	\$.3	\$ 7	\$ 3	\$ 0		\$ 1	\$ 4	\$ 4	\$ 4
Defined benefit plans									
Prior service									
cost and unrecogni zed					Other (expen se)				Other income (expen se)
actuarial loss	1.	(3	2.	(4	income	0.	(4	3.	(9
	\$ 3	\$.4)	\$ 3	\$.7)	, net	\$ 8	\$.7)	\$ 1	\$.4)
					Provisi on for				Provisi on for
	0.	(0	0.	(1	income	0.	(1	0.	(2
	2	.8)	3	.2)	taxes	1	.0)	3	.2)
	1.	(2	2.	(3	Net of	0.	(3	2.	(7
	\$ 1	\$.6)	\$ 0	\$.5)	tax	\$ 7	\$.7)	\$ 8	\$.2)
Total reclassificati ons	20	7.	0.	0.	Net of	1	1	6	2
	\$.4	\$ 1	\$ 3	\$ 5	tax	9.	0.	0.	1.
						\$ 8	\$ 7	\$ 2	\$ 2

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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 Ended			Six Months Ended June			Three Months Ended			Nine Months Ended		
	June 30, 2023			30, 2023			September 30, 2023			September 30, 2023		
	Before		Net	Before		Net	Before		Net	Before		Net
	Before	of	Net	Before	of	Net	Before	of	Net	Before	of	Net
Foreign currency cumulative translation adjustments	\$ 4	1	\$ 5)	\$ 9)	8)	\$ 1)	\$.3)	4	\$ 7)	\$ 2)	5	\$ 7)

Unrealized cash flow hedge gains	5	9	4	6	1	5	1	6	0	1	8	8
	6.	.	7.	7.	.	5.	40	.	33	8.	.	9.
	7	6	1	8	9	9	.5	7	.8	3	6	7
Reclassification adjustments on cash flow hedges	(2	4	(1	(4	7	(3	(2	4	(1	(6	2	(5
	3.	.	9.	6.	.	8.	3.	.	9.	9.	.	7.
	3)	0)	3)	2)	9)	3)	2)	1)	1)	4)	0)	4)
Adjustments to prior service cost and unrecognized actuarial assumptions	(1	.	(1	(2	.	(2	(0	.	(0	(3	.	(2
	.3)	2)	.1)	.3)	3)	.0)	.8)	1)	.7)	.1)	3)	.8)
Total Other Comprehensive Income (Loss)	5.	.	0.	0.	.	1.	9.	.	(8	9.	.	(7
	\$ 7	\$ 5	\$ 2	\$ 4	\$ 1)	\$ 5	\$ 2	\$ 9	\$.7)	\$ 6	\$ 8	\$.2)

	Three Months Ended			Six Months Ended June			Three Months Ended			Nine Months Ended		
	June 30, 2022			30, 2022			September 30, 2022			September 30, 2022		
	Net		of	Net		of	Net		of	Net		of
	Befor	tax	tax	Befor	tax	tax	Befor	tax	tax	Befor	tax	tax
Foreign currency cumulative translation adjustments	4			5			2			(1		(1
	(4	9	(9	(3	1	(9	(7	4	(9	0	7	8
	2.	.	2.	8.	.	0.	1.	.	5.	9.	6.	6.
	\$ 6)	\$ 5	\$ 1)	\$ 9)	\$ 9	\$ 8)	\$ 0)	\$ 6	\$ 6)	\$ 9)	\$ 5	\$ 4)
Unrealized cash flow hedge gains	1			1	2		1			1		1
	7	3	6	0	0	7	0			6	3	3
	9.	.	5.	0.	.	9.	64	.	53	4.	1.	3.
	2	6	6	2	9	3	.2	3	.9	4	2	2
Reclassification adjustments on cash flow hedges	(			(			(			(3		(2
	(1	1		(1	2	(1	(1	2	(1	(3		(2
	1.	.	(9	6.	.	4.	6.	.	4.	3.	(4	8.
	2)	5)	.7)	1)	1)	0)	8)	4)	4)	0)	.6)	4)

Adjustments to prior service cost and unrecognized actuarial assumptions	0	1	1	0	2.	4.	.	3.	4.	.	3.	9.	2.	7.
3.	.	2.	4.	.	2.	5	7	0	7	0	7	4	2	2
4	8	6	7	2	5		7	0	3		7	4	2	2
Total Other	6		7		7				3				1	
Comprehensive Income (Loss)	2	2	(3	4	1	(2	(1	3	(5	3	0	0	(7	
8.	.	3.	9.	.	2.	8.	.	2.	0.	5.	0.	5.	4.	
	\$ 8	\$ 4	\$ 6)	\$ 9	\$ 9	\$ 0)	\$ 9)	\$ 5	\$ 4)	\$ 9	\$ 3	\$ 3	\$ 4)	
	<u> </u>													

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11. Fair Value Measurement of Assets and Liabilities

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

Description	As of June 30, 2023						
	Fair Value Measurements at Reporting Date Using:						
	Quoted Prices						
	in Active Markets for Identical Recorded Assets		Significant Other Observable Inputs		Significant Unobservable Inputs		
	Markets for	Identical	Assets	Inputs	Inputs		
	Other	Observable	(Level 1)	(Level 2)	(Level 3)		
Assets							
Derivatives designated as hedges, current and long-term							
Foreign currency forward contracts	\$ 90.2	\$ -	\$ 90.2	\$ -	\$ -		
Cross-currency interest rate swaps	4.4	-	4.4	-	4.4		
Derivatives not designated as hedges, current and long-term							
Foreign currency forward contracts	0.3	-	0.3	-	-		
Total Assets	\$ 94.9	\$ -	\$ 94.9	\$ -	\$ -		
Liabilities							
Derivatives designated as hedges, current and long-term							
Foreign currency forward contracts	\$ 1.3	\$ -	\$ 1.3	\$ -	\$ -		

Cross-currency interest rate swaps	46.5	-	46.5	-
Interest rate swaps	161.6	-	161.6	-
Contingent consideration related to acquisitions	97.8	-	-	97.8
Total Liabilities	\$ 307.2	\$ -	\$ 209.4	\$ 97.8

	As of December 31, 2022				As of September 30, 2023			
	Fair Value Measurements at Reporting				Fair Value Measurements at Reporting			
	Date Using:				Date Using:			
	Quoted Prices in Active Markets	Signific ant Other	Significa nt Inputs	Unobser vable	Quoted Prices in Active Markets	Signific ant Other	Significa nt Inputs	Unobser vable
Description	Record ed Balanc e	for Identical Assets	(Level 2)	(Level 3)	Record ed Balanc e	al Assets	(Level 2)	(Level 3)
Assets								
Derivatives designated as hedges, current and long-term								
Foreign currency forward contracts	72. \$ 8	\$ -	\$ 8	\$ -	10 \$ 1.9	\$ -	\$.9	\$ -
Cross-currency interest rate swaps	6.8	-	6.8	-	13. 7	-	7	-
Derivatives not designated as hedges, current and long-term								

Foreign currency forward contracts	1.8	-	1.8	-	0.3	-	0.3	-
Forward Exchange Agreement	1.1	-	1.1	-				
Investment in ZimVie	45.	45.						
Total Assets	12	45.	82.		11		115	
	\$ 8.0	\$ 5	\$ 5	\$ -	\$ 5.9	\$ -	\$.9	\$ -
Liabilities								
Derivatives designated as hedges, current and long-term								
Foreign currency forward contracts	\$ 5.5	\$ -	\$ 5.5	\$ -				
Cross-currency interest rate swaps	49.		49.		23.		23.	
Interest rate swaps	6	-	6	-	\$ 3	\$ -	\$ 3	\$ -
Derivatives not designated as hedges, current and long-term								
Foreign currency forward contracts	3.3	-	3.3	-	0.1	-	0.1	-

Contingent consideration related to acquisitions	17.	17.	10	104.
	4	4	4.3	3
Total Liabilities	24	230	32	216
	<u>\$ 7.8</u>	<u>\$ -</u>	<u>\$.4</u>	<u>\$ 3</u>
	<u><u>\$ 7.8</u></u>	<u><u>\$ -</u></u>	<u><u>\$.4</u></u>	<u><u>\$ 3</u></u>

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As of December 31, 2022							
Description	Fair Value Measurements at Reporting Date Using:						
	Quoted Prices						
	in Active Markets for Identical Recorded Balance	Significant Other Observable	Significant Unobservable	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	
Assets							
Derivatives designated as hedges, current and long-term							
Foreign currency forward contracts	\$ 72.8	\$ -	\$ 72.8	\$ -	\$ 72.8	\$ -	
Cross-currency interest rate swaps		6.8				6.8	
Derivatives not designated as hedges, current and long-term							
Foreign currency forward contracts		1.8				1.8	
Forward Exchange Agreement		1.1				1.1	
Investment in ZimVie		45.5		45.5		-	
Total Assets	<u>\$ 128.0</u>	<u>\$ 45.5</u>	<u>\$ 82.5</u>				
Liabilities							
Derivatives designated as hedges, current and long-term							
Foreign currency forward contracts	\$ 5.5	\$ -	\$ 5.5	\$ -	\$ 5.5	\$ -	
Cross-currency interest rate swaps		49.6				49.6	
Interest rate swaps		172.0				172.0	

Derivatives not designated as hedges, current and long-term					
Foreign currency forward contracts	3.3	-	3.3	-	
Contingent consideration related to acquisitions	17.4	-	-	-	17.4
Total Liabilities	\$ 247.8	\$ -	\$ 230.4	\$ 17.4	

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 probability-weighted future revenue estimates and simulating the numerous potential outcomes, and increases as revenue estimates increase. 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 three-month nine-month period ended June 30, 2023 September 30, 2023, we issued 0.1 million shares of our common stock valued at \$15.5 million and paid \$0.7 million of cash as the regulatory milestone related to the Embody acquisition was achieved. The fair value of common stock was determined to be \$143.84 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 million shares of our common stock in June of 2023.

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):

	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	7.2
Settlements	(28.8)
Ending balance June 30, 2023	\$ 97.8

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	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>\$ 104.3</u>

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

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	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liabilities				Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liabilities			
	Carrying Amount of the Hedged Liabilities		Amount of the Hedged Liabilities		Carrying Amount of the Hedged Liabilities		Amount of the Hedged Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Bala								
nce								
She								
et								
Line								
Item								
Lon								
g-								
ter								
m								
deb								
t								
	83				80		82	
	4.	82	(161	(172.	3.	3.	(192.	(172.
	\$ 3	\$ 3.9	\$.6)	\$ 0)	\$ 3	\$ 9	\$ 7)	\$ 0)

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 **June 30, 2023 September 30, 2023** was **\$24.3 24.1** 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, 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 **June 30, 2023** **September 30, 2023**, 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 **six-month** **nine-month** period ended **June 30, 2023** **September 30, 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.

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.

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For foreign currency exchange forward contracts and options outstanding at **June 30, 2023** **September 30, 2023**, 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 **July** **October** 2023 through **December 2025**. **March 2026**. As of **June 30, 2023** **September 30, 2023**, the notional amounts of outstanding forward contracts and options entered into with third parties to purchase U.S. Dollars were **\$1,504.9** **1,494.9** million. As of **June 30, 2023** **September 30, 2023**, the notional amounts of outstanding forward contracts and options entered into with third parties to purchase Swiss Francs were **\$455.5** **439.4** 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.

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 consolidated statements of earnings, consolidated statements of comprehensive income and consolidated balance sheets (in millions):

Amount of Gain (Loss)		Amount of Gain (Loss)		Amount of Gain (Loss)		Amount of Gain (Loss)	
Recognized in AOCI		Reclassified from AOCI		Recognized in AOCI		Reclassified from AOCI	
Three Months	Six Months	Three Months	Six Months	Three Months	Nine Months	Three Months	Nine Months
Ended	Ended	Ended	Ended	Ended	Ended	Ended	Ended

Location												Location												
June 30,				June 30,				June 30,				September 30,				September 30,				September 30,				
De	ri	at	iv	ca	ti	on	St	De	ri	at	iv	ca	ti	on	St	De	ri	at	iv	ca	ti	on	St	
ve	In	ts	str	of	Ea	rni		ve	In	ts	str	of	Ea	rni		ve	In	ts	str	of	Ea	rni		
en	202	202	202	202	ng	202	202	202	202	202	202	202	202	ng	202	202	202	202	202	202	202	202	202	
t	3	2	3	2	s	3	2	3	2	3	2	3	2	s	3	2	3	2	3	2	3	2		
F	or	ei	gn	ex	ch	an	ge																	
fo	co	os	fo	co	os	fo	co																	
rw	ar	t	rw	ar	t	rw	ar																	
ar	d	of	ar	d	of	ar	d																	
d	co	pr	d	co	pr	d	co																	
co	nt	1	od	co	nt	1	od																	
nt	5	7	6	0	uc	2	1	4	1	4	6	0	6	uc	2	1	6	3						
ra	6	9	7	0	ts	3	1	6	6	0	4	8	4	ts	3	7	9	3						
ct	so	so						
s	\$ 7	\$ 2	\$ 8	\$ 2	ld	\$ 5	\$ 4	\$ 6	\$ 5	\$ 5	\$ 2	\$ 3	\$ 4	ld	\$ 3	\$ 0	\$ 9	\$ 6						

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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 **June 30, 2023** **September 30, 2023**, together with settled derivatives where the hedged item has not yet affected earnings, was a net unrealized gain of **\$101.8** **119.2** million, or **\$87.2** **101.9** million after taxes, which is deferred in AOCI. A gain of **\$79.4** **88.0** million, or **\$65.3** **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):

Location and Amount of Gain/(Loss) Recognized in Income on Fair Value, Cash Flow and Net Investment										Location and Amount of Gain/(Loss) Recognized in Income on Fair Value, Cash Flow and Net Investment									
Hedging Relationships										Hedging Relationships									
Three Months		Three Months		Six Months		Six Months		Three Months		Three Months		Nine Months		Nine Months					
Ended		Ended		Ended		Ended		Ended		Ended		Ended		Ended		Septemb			
June 30, 2023		2022		2023		2022		September 30, 2023		September 30, 2022		September 30, 2023		2022					
Int		Co		Int		Co		Int		Co		Int		Co		Int			
Int		Co		Int		Co		Int		Co		Int		Co		Int			
Cost of		st		of		st		st		of		st		of		st			
Ex		Ex		Ex		Ex		Ex		Ex		Ex		Ex		Ex			
pe		Pro		pe		Pro		pe		Pro		pe		Pro		pe			
Produc		ns		du		ns		du		ns		du		ns		du			
ts		e,		cts		e,		cts		e,		cts		e,		cts			
Sol		Sol		Sol		Sol		Sol		Sol		Sol		Sol		Sol			
Sold	Net	d	Net	d	Net	d	Net	d	Net	Sold	Net	d	Net	d	Net	d	Net	d	t
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										The effects of fair value, cash flow and net investment hedging:									
1										The effects of fair value, cash flow and net investment hedging:									
(5)										(4)									
5										5									
1										1									
\$ 525.5										\$ 518.6									
\$ 6)										\$ 1)									
\$ 0										\$ 2)									
\$ 8)										\$ 3)									
\$ 3										\$ 0									
\$ 8)										\$ 9)									
1										1									
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Gain (loss)									
on fair value									
hedging									
relationships									
			(((
			(1		1			2
			9	1	7	4		0	2
Interest		
rate swaps	-	3)	-	2	-	5)	-	0	-
Gain (loss)									
on cash flow									
hedging									
relationships									
			1	4	1			1	3
			1	6	6			7	3
Foreign exchange			.	.	.	.		.	.
forward contracts	23.5	-	4	-	6	-	5	-	23.3
			((((((
			0	0	0	0		0	0
Forward starting			.	.	.	.		.	.
interest rate swaps	-	2)	-	2)	-	4)	-	4)	-
Gain on net									
investment hedging									
relationships									
				1	1				2
Cross-	8		5	7	1			3	1
currency interest rate			.	.	.			.	.
swaps	-	2	-	3	-	2	-	8	-
								2	5
								4	5
								4	3

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				Three Months					
	Ended		Six Months Ended		Ended		Nine Months Ended			
	Location	on	June 30,	June 30,	Location	on	September 30,	September 30,		
Foreign exchange contracts	Statement nts of		Statement nts of		Statement nts of		Statement nts of			
	Earnings	2023	2022	2023	2022	2023	2022	2023	2022	
	Other (expense)				(1)	Other income		(1)	(2)	
	income	3.	(6.	0.	5.	(expense)	7.	0.	8.	5.
	, net	\$ 8	\$ 7)	\$ 2	\$ 2)	(expense), net	\$ 8	\$ 0)	\$ 0	\$ 2)
Forward Exchange Agreement						Other income		3.	3.	
						(expense) (expense), net	-	0	-	0

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These gains / (losses) do not reflect offsetting losses of \$14.2 million in the three-month period ended June 30, 2023, offsetting gains of \$0.8 million in the three-month period ended September 30, 2023, offsetting losses of \$13.8 million in the six-month period ended June 30, 2023, offsetting gains of \$8.5 million in the six-month period ended June 30, 2022, recognized in other income (expense) income, 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 June 30, 2023 and December 31, 2022, 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 December 31,				As of September 30,		As of December 31,	
	As of June 30, 2023		2022		2023		2022	
	Balance		Balance		Balance		Balance	
	Sheet	Fair	Sheet	Fair	Sheet	Fair	Sheet	Fair
	Location	Value	Location	Value	Location	Value	Location	Value
Asset								
Derivatives								
Designated as Hedges								
Foreign exchange forward contracts	Other current assets	78.8	Other current assets	73.2	Other current assets	82.1	Other current assets	73.2
Cross-currency interest rate swaps	Other current assets	-	Other current assets	6.8	Other current assets	-	Other current assets	6.8
Foreign exchange forward contracts	Other assets	25.8	Other assets	16.6	Other assets	29.7	Other assets	16.6
Cross-currency interest rate swaps	Other assets	4.4	Other assets	-	Other assets	13.7	Other assets	-
Total asset derivatives		<u>10</u>		<u>96.</u>		<u>12</u>		<u>96.</u>
	\$	<u>9.0</u>		<u>6</u>		<u>5.5</u>		<u>6</u>
Asset								
Derivatives								
Not Designated as Hedges								

Foreign exchange forward contracts	Other current assets	\$ 0.3	Other current assets	\$ 3.1	Other current assets	\$ 0.3	Other current assets	\$ 3.1
Forward Exchange Agreement	Other current assets	-	Other current assets	1.1	Other current assets	-	Other current assets	1.1
Total asset derivatives not designated as hedges		\$ 0.3		\$ 4.2		\$ 0.3		\$ 4.2
<i>Liability Derivatives Designated as Hedges</i>								
Foreign exchange forward contracts	Other current liabilities	\$ 8.8	Other current liabilities	\$ 8.0	Other current liabilities	\$ 5.8	Other current liabilities	\$ 8.0
Cross-currency interest rate swaps	Other current liabilities	-	Other current liabilities	3.3	Other current liabilities	5.0	Other current liabilities	3.3
Foreign exchange forward contracts	Other long-term liabilities	\$ 6.9	Other long-term liabilities	\$ 5	Other long-term liabilities	\$ 4.1	Other long-term liabilities	\$ 5

Cross-currency interest rate swaps	Other long-term liabilities	46.5	Other long-term liabilities	46.3	Other long-term liabilities	18.3	Other long-term liabilities	46.3
Interest rate swaps	Other long-term liabilities	16.1.6	Other long-term liabilities	17.2.0	Other long-term liabilities	19.2.7	Other long-term liabilities	17.2.0
Total liability derivatives		<u>22</u> <u>\$ 3.8</u>		<u>24</u> <u>\$ 4.1</u>		<u>22</u> <u>\$ 5.9</u>		<u>24</u> <u>\$ 4.1</u>
<i>Liability Derivatives Not Designated as Hedges</i>								
Foreign exchange forward contracts	Other current liabilities	\$ -	Other current liabilities	\$ 4.6	Other current liabilities	\$ 0.1	Other current liabilities	\$ 4.6

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

Assets		Derivative									
Ca sh flo w he dg es		Oth er curr ent ass ets \$ 8 8 0 2 1 1									
Ca sh flo w he dg es		Oth er curr ent ass ets \$ 1 8 3 5 6 2 1 1									
Ca sh flo w he dg es		Oth er curr ent ass ets \$ 2 9 4 5 6 9 1 6									
Der ivat ive Not De sig nat ed as He dg es		Oth er curr ent ass ets \$ 0 3 1 1 0 3 1 3 1 3 8									
Liability		Derivative									
Ca sh flo w he dg es		Oth er curr ent ass ets \$ 1 8 3 5 6 2 1 1									

Ca	Oth						Oth					
sh	er						er					
flo	curr						curr					
w	ent						ent					
he	liab	8	8		8	7	0	liab	5	5		8
dg	ilitie	.	.		.	.	.	ilitie	.	.		.
es	s	8	8	-	0	1	9	s	8	8	-	0
Ca	Oth						Oth					
sh	er						er					
flo	lon						lon					
w	g-						g-					
he	ter						ter					
dg	m				1		m				1	
es	liab	6	5	1	4	9	4	liab	4	4		4
	ilitie	.	.	.	.	.	.	ilitie	.	.		.
	s	9	6	3	5	9	6	s	1	1	-	5
Der	Oth						Oth					
ivat	er						er					
ive	curr						curr					
s	ent						ent					
Not	liab						liab					
De	ilitie						ilitie					
sig	s						s					
nat												
ed												
as												
He				4	1	3		0		0	4	1
dg			
es		-	-	-	6	3	3		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):

	Amount of Gain (Loss)		Amount of Gain	
	Recognized in AOCI		Recognized in AOCI	
	Three Months Ended	Six Months Ended	Three Months Ended	Nine Months Ended
	June 30,	June 30,	September 30,	September 30,

Derivative Instrument	2023	2022	2023	2022	2023	2022	2023	2022
	(4.)	100.	(23.)	137.	32.	98.7	8.4	236.
Euro Notes	\$ (6)	\$ 8	\$ (8)	\$ 7	\$ 2	\$ 98.7	\$ 8.4	\$ 4
Cross-currency interest rate swaps	8.2	39.4	3.7	51.7	5	24.3	2	76.0
	140.	(20.)	189.	64.	123.	44.	312.	
	\$ 3.6	\$ 2	\$ (1)	\$ 4	\$ 7	\$ 0	\$ 6	\$ 4
	<u><u>\$ 3.6</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ (1)</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ 4</u></u>

13. 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 to transfer pricing involving our cost sharing agreement between the U.S. and Switzerland affiliated companies and reallocating 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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In the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, our effective tax rate ("ETR") was **24.2** **25.7** percent and **21.5** **22.7** percent, respectively, compared to negative **22.8** **9.3** percent and positive **24.5** **11.9** percent in the three and **six-month** **nine-month** periods ended **June 30, 2022** **September 30, 2022**, respectively. The **24.2** **25.7** percent and **21.5** **22.7** percent ETR in the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, respectively, was primarily driven by discrete tax effects of the filing of certain tax returns and reorganizing the ownership structure of certain wholly-owned subsidiaries in the second quarter of 2023. The negative **22.8** **9.3** percent and positive **24.5** **11.9** percent ETR in the three and **six-month** **nine-month** periods ended **June 30, 2022** **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 **is** **was** not deductible for tax purposes. 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; the outcome of various federal, state and foreign audits; and the expiration of certain statutes of **limitations**; and implementation of the OECD Pillar Two rules. **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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14. Earnings Per Share

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

Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
June 30,		June 30,		September 30,		September 30,	
2023	2022	2023	2022	2023	2022	2023	2022

Weighted average shares outstanding for basic net earnings per share	208 .6	209 .6	20 9.0	20 9.4	20 8.9	20 9.8	20 9.0	20 9.5
Effect of dilutive stock options and other equity awards	1.3	0.7	1.1	0.8	1.1	0.5	1.1	0.7
Weighted average shares outstanding for diluted net earnings per share	209 .9	210 .3	21 0.1	21 0.2	21 0.0	21 0.3	21 0.1	21 0.2
	<u>208</u> <u>.6</u>	<u>209</u> <u>.6</u>	<u>20</u> <u>9.0</u>	<u>20</u> <u>9.4</u>	<u>20</u> <u>8.9</u>	<u>20</u> <u>9.8</u>	<u>20</u> <u>9.0</u>	<u>20</u> <u>9.5</u>

During the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, an average of **1.9** **2.2** million 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 **six-month** **nine-month** periods ended **June 30, 2022** **September 30, 2022**, an average of **3.8** **6.4** million and **3.3** **4.4** million options, respectively, to purchase shares of common stock were not included for the same reason.

15. 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 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 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 centralized product category headquarter expenses, profitability metrics in this operating segment are not comparable to the EMEA 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.

In the three-month period ended June 30, 2023, the segment operating profit measures our CODM reviews were revised. Certain support function costs from our operating segments are now included in Corporate items. We have reclassified these support function expenses in the prior periods to conform to the current period presentation.

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

	Net Sales		Operating Profit		Net Sales		Operating Profit	
	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Americas	1,15	1,09	484.	477.	1,11	1,04	450.	432.
	\$ 6.2	\$ 2.7	\$ 3	\$ 1	\$ 3.6	\$ 5.1	\$ 0	\$ 3
EMEA	402.	379.	128.	104.	337.	319.		
	9	9	5	3	9	3	97.7	85.8
Asia Pacific	310.	309.	112.	110.	302.	305.	109.	103.
	5	2	8	0	1	4	9	6
Total	1,86	1,78			1,75	1,66		
	\$ 9.6	\$ 1.8			\$ 3.6	\$ 9.8		
Corporate items			(257	(274			(246	(244
			.8)	.5)			.0)	.9)
Intangible asset			(138	(133			(145	(131
amortization			.2)	.0)			.0)	.5)
Intangible asset								
impairment			-	(3.0)				
Operating profit			329.	280.			266.	245.
			\$ 6	\$ 9			\$ 6	\$ 3

	Net Sales		Operating Profit		Net Sales		Operating Profit	
	Six Months Ended		Six Months Ended		Nine Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Americas	2,29	2,09	963.	881.	3,41	3,14	1,41	1,31
	\$ 7.5	\$ 7.0	\$ 3	\$ 5	\$ 1.0	\$ 2.1	\$ 3.3	\$ 3.8
EMEA	828.	759.	274.	215.	1,16	1,07	372.	301.
	5	8	9	2	6.4	9.1	6	0
Asia Pacific	574.	588.	200.	206.	876.	893.	310.	310.
	6	2	6	6	7	6	5	2
Total	3,70	3,44			5,45	5,11		
	\$ 0.6	\$ 5.0			\$ 4.1	\$ 4.8		
			(510	(55			(756	(802
Corporate items			.3)	7.2)			.3)	.1)
Intangible asset			(271	(26			(416	(395
amortization			.6)	3.8)			.6)	.3)
Intangible asset								
impairment			-	(3.0)			-	(3.0)
Operating profit			656.	479.			923.	724.
			\$ 9	\$ 3			\$ 5	\$ 6

16. 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.

During the three and six-month periods ended June 30, 2023, we recognized a net litigation-related gain of \$2.2 million and net litigation-related charges of \$1.1 million, respectively. During the three and six-month periods ended June 30, 2022 September 30, 2023, we recognized \$2.5 million and \$35.7 million, respectively, of net litigation-related charges. During the three and nine-month periods ended September 30, 2022, we recognized an insignificant amount and a loss of \$34.7 million, respectively, of net litigation-related accrual adjustments. At June 30, 2023 September 30, 2023 and December 31, 2022, December

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31, 2022, accrued litigation liabilities were \$264.4 million and \$349.2 million, respectively. These litigation-related charges and accrued liabilities reflect all of our litigation-related contingencies and not just the matters discussed below.

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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 **June 30, 2023** **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.

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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 \$25.9 million to approximately \$435.485 million.

17. Subsequent Event

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.

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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 Six-Month Nine-Month Periods ended June 30, 2023 September 30, 2023

We continue to recover from the effects of the COVID-19 global pandemic. In the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, we experienced fewer disruptions to elective surgical procedures from the pandemic as compared to the three and **six-month** **nine-month** periods ended **June 30, 2022** **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 **4.9** **5.0** percent and **7.4** **6.6** percent in the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, respectively, when compared to the same prior year periods. Our **year-over-year** net sales **growth** in the **three and six-month periods ended June 30, 2023** **were tempered** **three-month period was aided by a negative 1.1** **positive 0.3** percent and **negative 2.1** percent impact, respectively, from changes in foreign currency exchange rates **on year-over-year sales**, 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 half quarter** of 2023 was higher **in the first quarter** than in the **second quarter** 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 second** **third quarter of 2022**.

Our net earnings were **\$209.6 million** **\$162.7 million** and **\$442.1 million** **\$604.8 million** in the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023**, respectively, compared to **\$153.7 million** **\$194.0 million** and **\$167.9 million** **\$361.9 million** in the same prior year periods, respectively. The **increase** **decline** in **net** **earnings** in the **three and six-month periods** **three-month period ended June 30, 2023** **September 30, 2023** when compared to the same prior year periods **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 restructuring-related charges and losses 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 in the current year periods. These benefits were partially offset by increased investment in research and development ("R&D") & D and commercial initiatives to drive future growth.

2023 Outlook

We expect revenue growth in 2023 to be driven by a combination of market growth, procedure volume recovery from COVID-19, and new product introductions. Based on recent foreign currency exchange rates we expect foreign currency to negatively affect net sales growth in 2023, but at a lower level than experienced in 2022. We expect that supply chain and inflation pressures will continue in 2023, but with supply chain pressure easing in the second half of the year and with inflation stable to the level experienced at the end of 2022. 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 interest expense, net, will increase primarily due to higher interest rates. We also expect our non-operating other (expense) income, net, will be more 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.

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.

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Net Sales by Geography

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

Three Months Ended June 30,	Three Months Ended September 30,
--------------------------------	-------------------------------------

	2023	2022	% Inc	2023	2022	% Inc
United States International	1,068	1,017	5.0 %	1,031	973.0	6.0 %
Total	800.7	764.2	4.8	722.2	696.8	3.6
	1,869	1,781	4.9	1,753	1,669	
	\$.6	\$.8		\$.6	\$.8	5.0
Six Months Ended						
	June 30,			September 30,		
	2023	2022	% Inc	2023	2022	% Inc
United States International	2,129	1,958	8.7 %	3,160	2,931	7.8 %
Total	1,571	1,486	5.7	2,293	2,183	5.1
	3,700	3,445	7.4	5,454	5,114	
	\$.6	\$.0		\$.1	\$.8	6.6

Net Sales by Product Category

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

	Three Months Ended			Three Months Ended		
	June 30,		% Inc / (Dec)	September 30,		% Inc / (Dec)
	2023	2022		2023	2022	
	\$ 771.4	\$ 704.9	9.4 %	\$ 706.3	\$ 657.0	7.5 %
Knee	504.3	487.2	3.5	465.3	468.0	(0.6)
Hips	442.7	446.4	(0.8)	423.2	409.4	3.3
S.E.T.	151.2	143.3	5.5	158.8	135.4	17.2
Other	1,869	1,781		1,753	1,669	
Total	\$.6	\$.8	4.9	\$.6	\$.8	5.0

	Six Months Ended					Nine Months Ended				
	June 30,					September 30,				
	2023	2022	% Inc			2023	2022	% Inc		
Knee	1,533	1,367				2,240	2,024			
s	\$.9	\$.7	12.1	%		\$.1	\$.7	10.6	%	
Hips						1,462	1,406			
	997.1	938.2	6.3			.5	.2	4.0		
S.E.T						1,299	1,272			
.	876.1	863.2	1.5			.3	.6	2.1		
Other	293.5	275.9	6.4			452.2	411.3	10.0		
						5,454	5,114			
Total	3,700	3,445				\$.1	\$.8	6.6		
	\$.6	\$.0	7.4							

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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 Months						Three Months			Nine Months		
	Ended June 30,			Ended June 30,			Ended September 30,		Ended September 30,			
	2023	2022	%	2023	2022	%	2023	2022	(De c)	2023	2022	%

U ni t e d S t a t e s	4	3	8	7	1	4	3	8	6	9	6	1	1,	1,	1
\$ 7	\$ 4	8 %	\$ 9	\$ 9	9 %	\$ 3	\$ 7	1 %	\$ 1	\$ 6	3 %				
I n t e r n a ti o n al	3	3	6	5		2	2			9	8				
	3	0	4	8		9	6	9	4	5	9				
	3	6	8	9	9	3.	7.	.	1.	7.	.				
	7	5	9	0	8	8	0	3	7	0	1				8
T o t al			1	1	,	,						2,	2,		
	7	7	5	3						2	0				1
	7	0	3	6	1	7	6		2	0					
	1	4	9	3	7	2	0	5	7	4	2				0
	.	.	.	.	.	6.	7.	.	0.	4.	.				.
Hip s	\$ 4	\$ 9	4	\$ 9	\$ 7	1	\$ 3	\$ 0	5	\$ 1	\$ 7				6

U	2	2	5	4							
n	5	4	0	7							
i	4	7	2	6	2	7					
t	.	.	.	.	.	.
e	\$ 3	\$ 5	7 %	\$ 6	\$ 1	3 %	\$ 5	\$ 6	0 %	\$ 2	\$ 7 9 %
I											
n											
t											
e											
r											
n											
a	2	2	4	4							
ti	5	3	9	6			2	2	(	7	6
o	0	9	4	0	6	5	2	3	4	1	9 2
n	.	.	.	.	.	.	2.	2.	.	3.	8.
al	0	7	3	5	1	2	8	4	1)	3	5 1
<u>T</u>	<u>5</u>	<u>4</u>	<u>9</u>	<u>9</u>						<u>1,</u>	<u>1,</u>
<u>o</u>	<u>0</u>	<u>8</u>	<u>9</u>	<u>3</u>			<u>4</u>	<u>4</u>	(<u>4</u>	<u>4</u>
<u>t</u>	<u>4</u>	<u>7</u>	<u>3</u>	<u>7</u>	<u>8</u>	<u>6</u>	<u>6</u>	<u>6</u>	0	<u>6</u>	<u>0</u> 4
<u>al</u>	5.	8.	.	2.	6.
	<u>\$ 3</u>	<u>\$ 2</u>	<u>5</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>3</u>	<u>\$ 3</u>	<u>\$ 0</u>	6)	<u>\$ 5</u>	<u>\$ 2</u> 0

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Demand (Volume and Mix) Trends

Changes in volume and mix of product sales had positive effects of 7.0 4.7 percent and 10.7 8.7 percent on year-over-year sales during the three and six-month nine-month periods ended June 30, 2023 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 effects effect of 1.0 percent and 1.2 0.8 percent on year-over-year sales during the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively. 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 negative effects of pricing due to internal initiatives and being able to pass some inflationary impacts on to customers.

Foreign Currency Exchange Rates

For the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, changes in foreign currency exchange rates had negative effects a positive effect of 1.1 0.3 percent and 2.1 a negative effect of 1.3 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 0.5 1.0 percent on full-year 2023 sales.

Geography

The 5.0 6.0 percent and 8.7 7.8 percent net sales growth in the U.S. in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, were driven by recovery in surgical procedures as COVID-19 cases caused fewer disruptions, especially in the Knees and Hips categories. Internationally, net sales increased by 4.8 3.6 percent and 5.7 5.1 percent during the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, when compared to the same prior year periods. These increases were similarly driven by recovery in surgical procedures as COVID-19 cases caused fewer disruptions across most of our major markets. However, our Our International sales were positively affected by 0.7 percent and negatively affected by 2.4 percent and 4.8 3.0 percent in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, due to changes in foreign currency exchange rates.

Product Categories

Knees net sales grew 9.4 7.5 percent and 12.1 10.6 percent respectively, in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, when compared to the same prior year periods. Hips net sales grew 3.5 declined 0.6 percent and 6.3 increased 4.0 percent respectively, in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, when compared to the same prior year periods. The net sales increases in of Knees and Hips were due to benefited from the recovery in elective surgical procedures, improvements in our supply chain and new product introductions. However, Hips net sales declined in the three-month period ended September 30, 2023 when compared to the same prior year period primarily due to certain bulk sales that were made internationally in the prior year period. Knees net sales were positively affected by 0.2 percent and negatively affected by 1.1 percent and 2.1 1.4 percent in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, due to changes in foreign currency exchange rates. Hips net sales were minimally affected and negatively affected by 1.4 percent and 2.5 1.6 percent in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, due to changes in foreign currency exchange rates. The negative 0.8 3.3 percent and positive

1.5 2.1 percent change increases in S.E.T. net sales for the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, 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 products. Other net sales grew 17.2 percent and 10.0 percent in the negative effects from changes in foreign currency exchange rates. three and nine-month periods ended September 30, 2023, respectively, driven by net sales for our ROSA®

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robot.

Expenses as a Percentage of Net Sales

	Three Months				Six Months				Three Months				Nine Months			
	Ended		Ended		Ended		Ended		Ended		Ended		Ended		Ended	
	June 30,		June 30,		September 30,		September 30,		September 30,		September 30,		September 30,		September 30,	
	202	202	Inc	Inc	202	202	Inc	Inc	202	202	Inc	Inc	202	20	Inc	Inc
	3	2	(D)	(c)	3	2	(D)	(c)	3	2	(D)	(c)	3	22	(D)	(c)
Cost of products sold, excluding intangible asset amortization	2	2	(2)	(2)	2	2	(1)	(1)	2	2	(0)	(0)	2	2	(1)	(1)
Intangible asset amortization	8	8	0	0	7	9	1	1	9	9	0	0	8	9	1	1
Research and development	1	1	7	7	6	7	3	3	6	6	4	4	3	3	0	0

Selling, general and administrative	38	39	(0	39	40	(1	38	39	(0	38	39	(1

	80	20	2)	00	00	0)	55	22	7)	88	88	0)
Intangible asset impairment			(00		00	(00				00	00	(

	-2	22	2)	-1	1	1)	-	-	-	-	1	1)
Restructuring and other cost reduction initiatives	11	33	11	11	22	11	11	11	00	11	22	00

	32	99	9)	88	99	1)	44	77	3)	77	55	88
Quality remediation			(00		00	(00			(00	00	00	(

	-4	44	4)	-4	4	4)	-	55	55	-4	4	4)
Acquisition, integration, divestiture and related	(00	00	00	00	00	00	00	00	00	00	00	00

	43	72	71	21	13	3	47	73	3	32	21	
Operating profit	11	11	11	11	11	11	11	11	11	11	11	
	77	55	11	77	33	33	55	44	00	66	44	22

	68	88	88	88	99	99	22	77	55	99	22	77

Cost of products sold as a percentage of net sales **decreased** **increased** in the three-month period ended **June 30, 2023** **September 30, 2023** 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, **operating leverage from volume increases** 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 to acquire intellectual property through the buyout of certain licensing arrangements. **These favorable items were partially offset by inflationary cost pressures and lower average selling prices.**

The decline in cost of products sold as a percentage of net sales in the **six-month** **nine-month** period ended **June 30, 2023** **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, **lower excess and obsolete inventory charges**, a mix shift to higher margin products and markets **operating leverage from volume increases** and lower royalty expense. These favorable items

were partially offset by higher excess and obsolete inventory charges, inflationary cost pressures and lower average selling prices.

Intangible asset amortization expense increased in the three and six-month nine-month periods ended June 30, 2023, but decreased as a percentage of net sales when September 30, 2023 compared to the same prior year periods. The increases in intangible asset amortization expense were due to the 2023 acquisitions and additional amortization from the buyout of certain licensing agreements. Intangible asset amortization expense as a percentage of net sales declined since it is a cost that does not increase when net sales increase.

R&D expenses increased in amount and as a percentage of net sales in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023 when compared to the same prior year periods. The increases were driven by higher personnel-related costs, higher spending on our initial compliance with the European Union Medical Device Regulation and other R&D investments.

Selling, general and administrative ("SG&A") expenses increased in amount, but decreased as a percentage of net sales in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023 when compared to the same prior year periods. The increases in expenses were due to selling and distribution costs that are variable expenses which increase as net sales increase. Additionally, personnel-related costs were higher due to additional headcount investments and annual merit increases, and travel and entertainment costs were higher as we have increased these activities from lower pandemic levels. These higher costs were partially offset by lower litigation-related amounts of a \$2.2 million gain and \$1.1 million share-based compensation expense in the three and six-month 2023 periods ended June 30, 2023, respectively, compared due to \$2.5 million and \$35.7 million the forfeiture of expenses in the three and six-month periods ended June 30, 2022, respectively, 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.

In December of 2021 and 2019, we initiated restructuring programs. The 2021 Restructuring Plan is intended to further reduce costs and to reorganize our global operations in preparation for the spinoff of ZimVie. The 2019 Restructuring Plan has an objective of reducing structural costs to allow us to invest in higher priority growth opportunities. We recognized expenses of \$24.4 million \$24.3 million and \$57.0 million \$28.3 million in the three-month periods ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$66.3 million \$90.6 million and \$100.9 million \$129.2 million in the six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022, 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 in the 2023 periods due to charges in the 2022 periods related to the December 2021 restructuring program that had just been initiated. initiated in

December 2021. For more information regarding these charges, see Note 5 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report.

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In the three and six-month nine-month periods ended June 30, 2023 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 increased decreased in the three and six-month periods three-month period ended June 30, 2023 September 30, 2023 when compared to the same prior year periods 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 in the fair value of contingent consideration.

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

In the three-month period ended June 30, 2023 September 30, 2023, we recognized a loss gain of \$1.2 million \$3.8 million in our other income (expense) income, net financial statement line item compared to a loss of \$42.6 million \$25.4 million in the same prior year period. The year-over-year change was primarily due to a loss of \$33.3 million \$30.0 million recognized 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 June 30, 2023 September 30, 2023. In the six-month nine-month period ended June 30, 2023 September 30, 2023, we recognized a gain of \$6.5 million \$10.3 million in our other income (expense) income, net financial statement line item compared to a loss of \$98.7 million \$124.1 million in the same prior year period. In the six-month nine-month period ended June 30, 2023 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 \$84.3 million \$114.3 million in the same prior year period.

Interest expense, net, increased in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023 when compared to the same prior year periods. The increases were 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 incurred losses on our fixed-to-variable interest rate swaps compared to gains in the prior year periods.

In the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, our effective tax rate ("ETR") was 24.2 25.7 percent and 21.5 22.7 percent, respectively, compared to 22.8 negative 9.3 percent and 24.5 positive 11.9 percent in the three and six-month nine-month periods ended June 30, 2022 September 30, 2022, respectively. The 24.2 25.7 percent and 21.5 22.7 percent ETR in the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, respectively, was primarily driven by discrete tax effects of the filing of certain tax returns and

reorganizing the ownership structure of certain wholly-owned subsidiaries in the second quarter of 2023. The 22.8 negative 9.3 percent and 24.5 positive 11.9 percent ETR in the three and six-month nine-month periods ended June 30, 2022 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 is was not deductible for tax purposes. 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; the outcome of various federal, state and foreign audits; and the expiration of certain statutes of limitations; and implementation of the OECD Pillar Two rules. 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

(dollars in millions)	Operating Profit as a Percentage of Net Sales						Operating Profit as a Percentage of Net Sales					
	Net Sales		Operating Profit		Net Sales		Net Sales		Operating Profit		Net Sales	
	Three Months		Three Months		Three Months		Three Months		Three Months		Three Months	
	Ended		Ended		Ended		Ended		Ended		Ended	
	June 30,		June 30,		June 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	3	2022	2023	2022	2023	2022	3	2022
Americas	1,1	1,	4	4	3	202	1,1	1,	4	4	4	202
	1	0	4	7	4		1	0	4	4	4	
	5	9	8	7	1	4	1	4	5	3	0	4
	6.	2.	4.	.	.	3.	3.	5.	0.	2.	.	1.
	\$ 2	\$ 7	\$ 3	\$ 1	9 %	7 %	\$ 6	\$ 1	\$ 0	\$ 3	4 %	4 %

Asia	5	5	2	0	3	2	8	8	3	3	3
Americas	7	8	0	6	4	3	7	9	1	1	5
Pacific	4.	8.	0.	.	.	5.	6.	3.	0.	0.	.
	6	2	6	6	9	1	7	6	5	2	4

Americas

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In the Americas, operating profit increased, but operating profit as a percentage of net sales decreased, in both the three and ~~six-month~~ nine-month periods ended ~~June 30, 2023~~ September 30, 2023 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~~ procedures and new product introductions. However, operating profit as a percentage of net sales decreased in both current year periods due to higher carrying expenses from inventory at consigned locations, ~~and~~ continued investments in R&D, including personnel-related costs, ~~and higher travel and entertainment costs which were partially offset by lower royalty expenses as a result of agreements we have increased these activities from lower pandemic levels.~~ 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 ~~six-month~~ nine-month period primarily due to higher carrying expenses from inventory at consigned locations in the ~~second~~ third quarter of 2023 compared to the first ~~quarter~~ two quarters of 2023.

EMEA

In EMEA, operating profit and operating profit as a percentage of net sales increased in both the three and ~~six-month~~ nine-month periods ended ~~June 30, 2023~~ 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.

Asia Pacific

In Asia Pacific, operating profit and operating profit as a percentage of net sales increased in the ~~three-month~~ period three and nine-month periods ended ~~June 30, 2023~~ September 30, 2023 when compared to the same prior year period, but decreased in the six-month period ended June 30, 2023 when compared to the same prior year period. In Asia Pacific, changes in foreign currency exchange rates have had a larger impact on our results than in our other operating segments. The increases in operating profit and operating profit as a percentage of net sales declined in the ~~three-month~~ period three and nine-month periods ended ~~June 30, 2023~~ was primarily September 30, 2023 when compared to the same prior year periods due to changes in foreign currency exchange rates, the negative net sales growth from the continued recovery of elective surgical procedures, impact was partially offset by higher hedge gains recognized in the current year periods from our hedging program. As a result, net sales volume growth and operating leverage

from certain costs that do not increase as net sales increase. The decrease increase resulted in operating profit and operating profit as a percentage of net sales increasing in the six-month period ended June 30, 2023 was primarily driven by lower net sales due to changes in foreign currency exchange rates and by the China government implementing a nationwide volume-based procurement process, as well as higher travel and entertainment expenses as we have increased these activities from lower pandemic levels.2023 periods.

Liquidity and Capital Resources

As of June 30, 2023 September 30, 2023, we had \$319.8 million \$292.1 million in cash and cash equivalents. In addition, we had \$1.0 billion available to borrow under our 2022 364-Day Credit Agreement, and \$1.0 billion available under our 2022 Five-Year Revolving Facility. In July 2023, we entered into the 2023 364-Day Credit Agreement, and \$1.4 billion available under our 2023 Five-Year Revolving Facility with the same borrowing capacities of the previous credit facilities. Facility. The terms of the 2023 364-Day Credit Agreement and the 2023 Five-Year Revolving Facility are described further in Note 9 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 \$655.6 million \$993.2 million in the six-month nine-month period ended June 30, 2023 September 30, 2023, compared to \$661.2 million \$1,112.0 million in the same prior year period. The slight decrease in the 2023 period was driven by higher investments in inventory when compared to the 2022 period as well as higher litigation, income tax and bonus payments in the 2023 period. These unfavorable items were partially offset by higher earnings and lower restructuring-related payments.

Cash flows used in investing activities from continuing operations were \$392.5 million \$558.1 million in the six-month nine-month period ended June 30, 2023 September 30, 2023, compared to \$324.3 million \$409.5 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, investments in enterprise resource planning software and a new corporate jet. In addition, in the six-month nine-month period ended June 30, 2023 September 30, 2023 we paid \$73.3 million \$86.4 million to acquire intellectual property through the buyout of certain licensing arrangements and \$32.9 million related to the 2023 acquisitions.

Cash flows used in financing activities from continuing operations were \$316.1 million \$512.1 million in the six-month nine-month period ended June 30, 2023 September 30, 2023, compared to \$268.4 million \$462.3 million in the same prior year period. We borrowed a net \$145.0 million on our 2022 Five-Year Revolving Facility and used those proceeds, along with cash on hand to repurchase \$281.9 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

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\$540.6 million \$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 2021 Five-Year Revolving Facility 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 June 30, 2023 September 30, 2023, \$282.4 million \$250.7 million of our cash and cash equivalents were held in jurisdictions outside of the U.S. Of this amount, \$26.4 million \$36.2 million is denominated in U.S. Dollars and, therefore, bears no foreign currency translation risk. The balance of these assets remaining amount is denominated in currencies of the various countries where we operate. We generally intend to limit distributions from foreign subsidiaries to earnings 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 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 June 30, 2023 September 30, 2023, we had outstanding debt of \$5,709.4 million \$5,482.4 million, of which \$520.0 million \$355.0 million was classified as current debt. The \$520.0 million \$355.0 million of current debt is outstanding under our five-year revolving facility, credit facilities, and we expect to repay such debt over the next twelve months. We believe we can satisfy these debt obligations with cash generated from our operations.

For additional information on our debt, including types of debt, maturity dates, interest rates, debt covenants and available revolving credit facilities, see Note 9 to our interim condensed consolidated financial statements included in Part I, Item 1 of this report.

In March, May and ~~May~~ August 2023, 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. As of ~~June 30, 2023~~ September 30, 2023, \$591.7 million remained authorized under this program.

As discussed in Note 5 to our interim condensed consolidated financial statements in Part I, Item 1 of this report, we have a 2021 Restructuring Plan and a 2019 Restructuring Plan. The 2021 Restructuring Plan is expected to result in total pre-tax restructuring charges of approximately \$185 million, of which approximately ~~\$156 million~~ \$165 million was incurred through ~~June 30, 2023~~ September 30, 2023. 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 ~~\$350 million~~ \$370 million, of which approximately ~~\$292 million~~ \$300 million was incurred through ~~June 30, 2023~~ September 30, 2023. 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 realized. Our latest estimates indicate that we will be near the low end of that range.

As discussed in Note 13 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. 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 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 ~~\$264.4 million~~ \$241.4 million as of ~~June 30, 2023~~ September 30, 2023. 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 \$25 million \$9 million to approximately \$435 million \$485 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 3 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 June 30, 2023 September 30, 2023 to our critical accounting estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2022.

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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:

- the effects of business disruptions, such as the COVID-19 pandemic, either alone or in combination with other risk on our business and operations; operations, such as those business disruptions associated with the COVID-19 pandemic;

- 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 government regulators, such as more stringent requirements for regulatory clearance of products;
- the outcome of government investigations; 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;

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- competition;
- pricing pressures;
- changes in customer demand for our products and services caused by demographic changes or other factors;
- 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 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

- the risk of additional tax liability due to the recategorization of our independent agents and distributors to employees;
- 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 current 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 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 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 obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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.

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

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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 **June 30, 2023** **September 30, 2023** 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 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 ("2022 Form 10-K"), which could materially affect our business, financial condition and results of operations. The risks described in our 2022 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

On February 14, 2023, we completed the acquisition of all of the outstanding shares of Embody, Inc. ("Embody"), a medical device company focused on soft tissue healing, that expanded our product portfolio for the sports medicine market. The initial consideration paid to the former Embody shareholders upon the closing of the acquisition 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 Embody Shares were issued to those 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. The Embody acquisition includes additional consideration of up to \$120.0 million in fair value of our common stock and cash that is subject to achieving a regulatory milestone during a specified timeframe after the closing and achieving future commercial milestones based on sales growth over a three-year period.

Due to achievement of the regulatory milestone, on June 16, 2023, we issued 0.1 million shares of our common stock valued at \$15.5 million 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 the dilution from the issuance of these shares, we repurchased the shares of our common stock in the three-month period ended June 30, 2023 as set forth below.

Issuer Purchases of Equity Securities

The following table summarizes repurchases of common stock settled during the three-month period ended June 30, 2023:

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⁾
			Purchased as a Part of Publicly Announced Program ⁽¹⁾	
April 2023	-	\$ -	-	\$ 606,000,243
May 2023	-	-	-	606,000,243
June 2023	107,461	133.07	107,461	591,700,271
Total	107,461	\$ 133.07	107,461	\$ 591,700,271

⁽¹⁾ In February 2016, our Board of Directors authorized a \$1.0 billion share repurchase program effective March 1, 2016, with no expiration date. None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the three-month period ended **June 30, 2023** **September 30, 2023**, 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 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 **June 30, 2023** **September 30, 2023**, 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 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 Agreement, dated as of July 7, 2023, among Zimmer Biomet Holdings, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 10, 2023\)](#)
- 10.2 [364-Day Revolving Credit Agreement, dated as of July 7, 2023, among Zimmer Biomet Holdings, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent incorporated \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 10, 2023\)](#)
- 10.3 [Offer Letter, dated as of August 21, 2023, by and between Zimmer Biomet Holdings, Inc. and Ivan Tornos \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on July 10, 2023 Form 8-K filed August 22, 2023\)](#)

10.4	Change in Control Severance Agreement, dated as of August 21, 2023, by and between Zimmer Biomet Holdings, Inc. and Ivan Tornos (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed August 22, 2023)
10.5	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)
10.6	Zimmer Biomet Holdings, Inc. Deferred Compensation Plan for Non-Employee Directors, as amended August 25, 2023
21	List of Subsidiaries of Zimmer Biomet Holdings, Inc.
31.1	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
31.2	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
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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)

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: August 1, 2023 November 7, 2023

By: /s/ Suketu Upadhyay

Suketu Upadhyay

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

Date: August 1, 2023 November 7, 2023

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.

or (2) any percentage specified by the participant of the
compensation described in clause (1) that is in excess of

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 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

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 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

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 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

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.

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

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.

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

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.

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

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 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.

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.

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 **June 30, 2023** **September 30, 2023**

Name of Subsidiary¹

Domestic subsidiaries:

A&E Advanced Closure Systems, LLC

Jurisdiction of Formation

Delaware

A&E Medical Corp.

New Jersey

Alto Development Corp.

New Jersey

Armada Merger Corp.

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
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Zimmer Biomet Integrations LLC	Delaware
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. 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 Biomet Colombia SAS	Colombia
Zimmer Biomet Centroamerica SA	Costa Rica
Zimmer Czech sro	Czech Republic
Zimmer Biomet Denmark ApS	Denmark
Zimmer Biomet Finland Oy	Finland
Biomet France Sarl	France
Medtech SA 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)	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
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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
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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 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
Zimmer Pte. Ltd. (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, **Bryan C. Hanson, 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: **August 1, 2023** **November 7, 2023**

/s/ **Bryan C. Hanson** **Ivan Tornos**

Bryan C. Hanson **Ivan Tornos**

Chairman, 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: August 1, 2023 November 7, 2023

/s/ Suketu Upadhyay

Suketu Upadhyay

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

**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 **June 30, 2023** **September 30, 2023** 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ **Bryan C. Hanson** **Ivan Tornos**

Bryan C. Hanson **Ivan Tornos**

Chairman, President and Chief Executive Officer

August 1, November 7, 2023

/s/ **Suketu Upadhyay**

Suketu Upadhyay

Chief Financial Officer and Executive Vice

President - Finance, Operations and Chief

Financial Officer Supply Chain

August 1, November 7, 2023

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