

Applied Medical Distribution Europe B.V.

at Amersfoort

Annual report 2021

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Balance sheet as at 31 December 2021

(before result appropriation in thousands)

		31-12-2021		31-12-2020	
		EUR	EUR	EUR	EUR
Assets					
Fixed assets					
Tangible fixed assets	1				
Machines and related equipment			21		
Financial fixed assets					
Non current assets	2				
Deferred income tax			133		114
Current assets					
Receivables and other assets	3				
Trade receivables		17,656		15,487	
Other receivables, prepayments		524		454	
			18,180		15,941
Cash and cash equivalents	4		4,592		5,186
Total assets			22,926		21,241
Equity and Liabilities					
Shareholder's equity					
Issued share capital	5				
Share premium reserve	6	18		18	
Revaluation reserve		4,550		4,550	
Other reserves	7	46		26	
Unappropriated result		886		442	
		1,148		444	
			6,648		5,480
Non-current liabilities					
Other long-term liabilities	8		553		472
Current liabilities					
Accounts payable	9	225		186	
Payable to group companies	10	11,314		11,754	
Taxes and social security premiums	11	1,798		1,803	
Other liabilities and accruals	12	2,388		1,546	
			15,726		15,289
Total equity and liabilities			22,926		21,241

Profit and loss account for the year 2021

(in thousands)

		2021		2020	
		EUR	EUR	EUR	EUR
Net revenue	13	83,649		69,989	
Cost of revenue		<u>-64,469</u>		<u>-55,161</u>	
Gross margin			19,180		14,828
Personnel expenses	14	13,220		10,341	
Depreciation and amortization	15	2			
Other operating expenses	16	4,520		3,782	
Total operating expenses			<u>17,742</u>		<u>14,123</u>
Operating result			<u>1,438</u>		<u>705</u>
Interest income and expense	17		-7		-4
Result from ordinary activities before tax			<u>1,431</u>		<u>701</u>
Taxation on result from ordinary activities	18		-283		-257
Result after taxation and participating interest			<u><u>1,148</u></u>		<u><u>444</u></u>

Notes to the financial statements

1. General notes

1.1 Company and registered office

Applied Medical Distribution Europe B.V. is located in the Netherlands at Wiekenweg 21, 3815 KL Amersfoort and is a subsidiary of Applied Medical Europe B.V.

Applied Medical Distribution Europe B.V. is registered at the Chamber of Commerce under number 32127003.

1.2 Activities

The activities of Applied Medical Distribution Europe B.V. ('the Company') consist of selling and distribution of medical instruments, which are produced by the parent companies in the United States and in the Netherlands.

1.3 Group structure

The shareholder of the Company is Applied Medical Europe B.V.

The Company is related to the following entities:

- Applied Medical Corporation
- Applied Medical Distribution Corporation
- Applied Medical Resources Corporation
- Applied Medical France S.A.S.
- Applied Medical Deutschland GmbH
- Applied Medical United Kingdom Ltd.
- Applied Medical Europe California LLC
- Applied Medical Turkey Tibbi Cihazlar Ticaret Ltd Sirketi
- Applied Medical Australia Pty Ltd.
- Applied Medical New Zealand Ltd.
- Applied Medical Holding Company S.A.L.(Lebanon)
- Applied Medical MENA (offshore) S.A.L. (Lebanon)
- Applied Medical Lebanon S.A.L. (Lebanon)
- Applied Medical Mexico S.A. de C.V.
- Applied Medical Korea Ltd.
- Applied Medical Hong Kong Limited
- Applied Medical Japan K.K.

1.4 Exemption consolidation in accordance of article 408

The financial statements have been prepared using the exemption of Article 408 of Book 2, Title 9 of the Netherlands Civil Code. The 2021 financial statements of the Company, including the cash flow statement, have been included in the consolidated financial statements of the ultimate parent company, Applied Medical Corporation (USA).

The consolidated 2021 financial statements of the ultimate parent company have been filed at the Chamber of Commerce in the Netherlands. Based on this exemption, a cash flow statement is not included in the financial statements of Applied Medical Distribution Europe B.V.

1.5 Accounting policies cash flow statement

The company does not include a cash flow statement in these financial statements using the exemption clause in Dutch Guidelines for Financial Reporting 360 paragraph 104. The consolidated 2021 financial statements of the ultimate parent company have been filed, together with the financial statements of the Company, at the Chamber of Commerce in The Netherlands.

1.6 Estimates

When preparing the financial statements, the directors, according to the general principles, make several estimates and assumptions that help determine the amounts in the financial statements. The actual results may deviate from the estimates made. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

1.7 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of The Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

2. General accounting policies

2.1 General

The financial statements are in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The changes in Part 9 of Book 2 of the Dutch Civil Code with effect as from 1 January 2021 only impact disclosure requirements and do not have any impact on equity and profit for the current and previous year.

2.2 Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

2.3 Translation of foreign currencies

The financial statements of the Company are presented in euros (EUR), which is the Company's functional currency.

Branches denominated in foreign currency are translated at the exchange rates as of the balance sheet date and the differences arising from translation are recorded in the foreign currency translation reserve account in the equity section of the balance sheet.

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates as of the balance sheet date and the differences arising from translation are recorded in the profit and loss accounts. Gains and losses on transactions in foreign currency during the financial year are recognized in the profit and loss accounts.

2.4 Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities. The carrying values of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities at 31 December 2021 and 2020 approximate their fair values due to their short-term maturities.

Applied Medical Distribution Europe B.V. is a Limited Risk Distributor (LRD). This implies that the main risks are carried by the parent companies; risks related to inventory (including product liability), foreign currency risks and the credit risk on accounts receivables. Although the credit risk on accounts receivables is shown on the balance sheet of the Company, the Company is compensated for the related loss by the parent company.

2.4 Financial instruments (continued)

The credit risk arising from the accounts receivable balance of Applied Medical Distribution Europe B.V. is mainly coming from the slower payments of our Portuguese, Italian and Spanish customers. These credit risks are managed through our credit control efforts and monitoring of outstanding receivables.

The currency risk for the Company is limited to the branches that have a functional currency other than the euro. Due to the expected limited impact, the Company does not hedge or otherwise mitigate these currency risks. The outcomes of these risks are reflected at the translation reserve in equity.

Due to the internal financial structure, the working capital of Applied Medical Distribution Europe B.V. is funded by the parent companies. This mitigates the liquidity and cash flow risk for the Company.

2.5 Operating Leases

The company has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognized as operating leases. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

3. Accounting policies applied to the valuation of assets and liabilities

3.1 General

The valuation of assets and liabilities and the determination of the results are based on historical cost, unless otherwise stated.

3.2 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated on a straight-line basis, taking into account any residual value. Depreciation is recognized from the date an asset comes into use.

3.3 Deferred tax assets and liabilities

Deferred tax assets are recognized and included in the current or non-current financial fixed assets, where the carrying amount of an asset in the financial statements differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized. The provision for deferred tax obligations represents the tax payable resulting from temporary differences between the carrying values in the financial statements and the values for taxation purposes of the appropriate balance sheet items. The calculation of the deferred tax assets and liabilities are at face value. Any deferred tax assets are deducted from the provision of deferred tax liabilities.

3.4 Trade and other receivables

The trade and other receivables are stated at its fair value and subsequently valued at amortized cost, net of allowances for doubtful accounts, determined individually, which is similar to the face value after deduction of any provisions if necessary.

3.5 Cash and cash equivalents

All cash and cash equivalents are valued at nominal value and have no restrictions, unless stated otherwise.

3.6 Non-current liabilities

Non-current liabilities are liabilities with maturity dates longer than one year after the balance sheet date. Initially interest-bearing loans and other liabilities are recorded at face value and subsequently measured at amortized cost.

3.7 Current liabilities and other provisions

Current liabilities and accruals are due within one year after balance sheet date. Current liabilities and accruals are initially valued at fair value, which is similar to the face value.

4. Principles for the determination of the result

4.1 General

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value added taxes.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Other income and expenses are accounted for in the period to which they relate.

4.2 Net revenue

Net revenue consists of amounts invoiced for goods supplied during the financial year, net of discounts, rebates and value added taxes.

4.3 Cost of revenue

Cost of revenue comprises costs that relate directly to the goods sold and services rendered. Cost of revenue is recorded in the same period that revenues are recognized.

4.4 Depreciation and amortization

Depreciation of tangible fixed assets

The depreciation on tangible fixed assets is calculated by using a straight-line method of depreciation and, if applicable, less impairment.

4.4 Personnel expenses

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to team members and the tax authorities respectively.

Subsidies and other income from governmental support programs with a character to cover personnel expenses are deducted from the personnel expenses.

4.5 Other operating expenses

Selling expenses and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

4.6 Interest income and expenses

Income and expenses comprise interest income and expense.

4.7 Taxation

Corporate income tax comprises current and deferred income taxes and is recognized in profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for temporary differences between the financial statement and income tax basis of the Company's assets and liabilities, based on enacted tax rates.

4.8 Pension plans

The Company provides pension plans, which are financed through contributions to pension providers. These pension plans qualify as defined contribution schemes, which are charged to the profit and loss account in the year to which they relate.

5. Financial instruments and risk management

5.1 Credit risks

The credit risk arising from the accounts receivable balance of the Company are limited. The main credit risk is coming from the slower payments of our Portuguese, Italian and Spanish customers. These credit risks are managed through our credit control efforts and monitoring of outstanding receivables.

5.2 Liquidity and cash flow risk

The working capital of the Company is funded by the parent or affiliated companies. This mitigates the liquidity and cash flow risk for the Company.

5.3 Currency risk

The currency risk for the Company is limited to the branches that have a functional currency other than the euro. Due to the expected limited impact, the Company does not hedge or otherwise mitigate these currency risks. The outcomes of these risks are reflected at the translation reserve in equity.

5.4 Interest rate risk

The Company has no interest-bearing long-term liabilities other than the lease obligations for cars. The interest rate on these obligations is embedded in the fixed lease price, so the interest rate risk is limited.

Notes to the balance sheet as at 31 December 2021

Assets

Fixed assets

1- Tangible fixed assets

Machines and related equipment

	31-12-2021	31-12-2020
	EUR	EUR
Acquisition value	23	-
Accumulated depreciation	2	-
Book value as at 31 December 2021	<u>21</u>	<u>-</u>

2- Non current assets

	31-12-2021	31-12-2020
	EUR	EUR
Deferred Income Tax	133	114
	<u>133</u>	<u>114</u>

The Company operates in an international environment with operations in various European locations outside of the Netherlands. Accordingly, the deferred income tax assets reflect the total tax position of the Company in different countries.

Current assets

3- Receivables and other assets

Trade receivables

	31-12-2021	31-12-2020
	EUR	EUR
Trade receivables	18,652	16,230
Provision for doubtful debtors	-996	-743
	<u>17,656</u>	<u>15,487</u>

Other receivables and prepayments

	31-12-2021	31-12-2020
	EUR	EUR
Other receivables	366	318
Prepayments	158	136
	<u>524</u>	<u>454</u>

Within the other receivables and prepayments deposits are included with a long-term character for EUR 283 (2020: EUR 211).

4- Cash and cash equivalents

	31-12-2021 EUR	31-12-2020 EUR
Unrestricted cash	4,592	5,025
Restricted cash balances	-	161
	4,592	5,186

Total amount of EUR 161 in 2020 was is restricted due to issued bank guarantees.

Equity and liabilities

5 Shareholder's equity

Movements in equity were as follows:

	Issued share capital EUR	Share premium reserve EUR	Revaluation reserve EUR	Other reserves EUR	Un- appropriated profit EUR	Total EUR
Balance as at 1 January 2020	18	4,550	24	-82	524	5,034
Result for the year	-	-	-	-	444	444
Appropriation of result	-	-	-	524	-524	-
Addition in financial year	-	-	2	-	-	2
Balance as at 31 December 2020	18	4,550	26	442	444	5,480
Balance as at 1 January 2021	18	4,550	26	442	444	5,480
Result for the year	-	-	-	-	1,148	1,147
Appropriation of result	-	-	-	444	-444	-
Addition in financial year	-	-	20	-	-	-
Balance as at 31 December 2021	18	4,550	46	886	1,148	6,647

Proposal for profit appropriation

The result of EUR 1,147 of this financial year 2021 is shown as 'Unappropriated result' until the general meeting of the shareholders adopts the 2021 financial statements.

6 Issued share capital

The authorized share capital of the Company consists of 90,000 shares of EUR 1 each, of which 18,000 (2020: 18,000) shares have been issued and fully paid up as per balance sheet date.

Applied Medical Distribution Europe B.V. is a subsidiary of Applied Medical Europe B.V. incorporated in Amsterdam, the Netherlands. The ultimate parent company is Applied Medical Corporation

incorporated in California, United States of America.

7 Revaluation reserve

	31-12-2021 EUR	31-12-2020 EUR
Currency translation reserve	46	26
	46	26

Non-current liabilities

8 Other long-term liabilities

	31-12-2021 EUR	31-12-2020 EUR
Book value as at 1 January	472	508
Additions	103	147
Paid out	-22	-183
Reclass to current liabilities	-	-
Book value as at 31 December	553	472

No interest is charged on other long-term liabilities. There is no fixed due date on the other long-term liabilities.

Current liabilities

Current liabilities and accruals are due within one year after balance sheet date. Current liabilities and accruals are initially valued at fair value, which is similar to the face value.

9 Accounts payable

	31-12-2021 EUR	31-12-2020 EUR
Trade creditors	225	186
	225	186

10 Payable to group companies

	31-12-2021 EUR	31-12-2020 EUR
Payables to Applied Medical Europe B.V.	11,314	11,754
Payables to Applied Medical Distribution Corporation	-	-
	11,314	11,754

The payables to group companies are classified as current given the short-term character and periodic settling during the year. No interest is calculated and no pledges or securities are applicable.

11 Taxes and social security premiums

	31-12-2021	31-12-2020
	EUR	EUR
Value added tax	1,118	1,152
Wage tax	298	288
Social security premiums	243	169
Corporate income tax	139	194
	1,798	1,803

12 Other liabilities and accruals

	31-12-2021	31-12-2020
	EUR	EUR
Sales commission	669	316
Holiday allowances and holidays	532	406
Deferred revenue	253	313
Accrued salary	137	55
Bonus	66	37
Other accrued expenses	731	419
	2,388	1,546

Off-balance-sheet rights, obligations and arrangements

Limited Risk Distributor

The Company is a Limited Risk Distributor (LRD). This implies that the main risks are carried by the parent companies; risks related to inventory (including product liability), foreign currency risks and the credit risk on accounts receivables. Although the credit risk on accounts receivables is shown on the balance sheet of the Company, the Company is compensated for the related loss by the parent company.

Lease obligations

The Company has contractual lease obligations for cars of EUR 2,313 (2020: EUR 2,206). During the year 2021, the Company entered into a 5 years lease contract for the rent of a warehouse in Spain for a total amount of EUR 600. Lease payments are due as follows (amounts net of value added tax):

	31-12-2021	31-12-2020
	EUR	EUR
<1 year	995	1,014
1>5 years	1,818	1,792
5> years	-	-
Total	2,813	2,806

Fiscal unity

Applied Medical Distribution Europe B.V. is part of a fiscal unity with Applied Medical Europe B.V. concerning the VAT in the Netherlands and in respect of this is severally liable for the VAT payable of this fiscal unity.

Bank guarantees

At year-end the Company provided bank guarantees amounting to EUR 1,042 (2020: EUR 1,671). The bank guarantees are covered by a counter guarantee from the bank facility of Applied Medical Corporation.

Notes to the profit and loss account for the year 2021

13 Net revenue

The net revenue of Applied Medical Distribution Europe B.V. has increased in 2021 by 19.52% compared to 2020 (2020 compared to 2019: decreased of 6.9%) and concerns revenues realized in Europe and South Africa.

	2021 EUR	2020 EUR
Geographic segmentation turnover		
Austria	2,758	2,421
Belgium	6,832	5,659
Denmark	2,063	2,216
Eastern European countries	2,587	2,110
Finland	4,301	4,132
Ireland	1,616	1,360
Italy	15,119	12,912
Norway	2,060	1,501
Portugal	2,956	2,034
South Africa	1,708	2,099
Spain	22,471	17,057
Sweden	2,060	1,702
Switzerland	6,920	6,272
The Netherlands	9,325	7,827
Other European countries	873	687
	83,649	69,989

All net revenue is realized in the business segment 'selling and distribution of medical instruments'.

14 Personnel expenses

	2021 EUR	2020 EUR
Wages and salaries	10,298	7,983
Social security premiums and pensions cost	2,756	2,174
Other staff expenses	166	184
	13,220	10,341

In 2020 we received an over refund of EUR 25 related to the governmental support program in the Netherlands. This amount has been adjusted in the wages and salaries expenses in 2021.

Average number of team members

During the financial year, the average number of team members was 130 (2020: 122), of which 122 (2020: 114) are working outside the Netherlands. All activities of these team members are sales related.

Social security premiums and pensions cost

	2021	2020
	EUR	EUR
Social security charges	2,202	1,718
Pension contributions	554	456
	2,756	2,174

Remuneration of management

Management remuneration charged to Applied Medical Distribution Europe B.V. is nil (2020: nil).

15 Depreciation and amortization

	2021	2020
	EUR	EUR
Depreciation of tangible fixed assets	2	-
Allocation to cost of revenue	-	-
	2	-

16 Other operating expenses

	2021	2020
	EUR	EUR
General expenses	1,326	1,339
Car expenses	1,475	1,419
Selling and distribution expenses	1,351	782
Office expenses	367	242
	4,520	3,782

The selling and distribution expenses for 2021 include an addition to the provision for doubtful debtors of EUR 257 (2020: addition of EUR 73).

Audit fees

The audit and other accounting fees for the accounting period by the accounting network providing the audit opinion of the annual accounts 2021 and 2020 are specified as follows:

	2021	2020
	EUR	EUR
Audit annual accounts	22	21
Other audit assignments	-	61
	22	82

17 Interest income and expense

	2021	2020
	EUR	EUR
Interest and similar income	-	-
Interest and similar expenses	-7	-4
	-7	-4

18 Taxation on result from ordinary activities

	2021 EUR	2020 EUR
Corporate income tax	-264	-234
Deferred tax	-19	-23
	-283	-257

The effective corporate income tax percentage according to the income statement amounting to 19.8% (2020: 36.8%) differs from the nominal corporate income tax applicable in the different countries the Company is taxable. This is mainly a result of expenses incurred that are non deductible for tax purposes. Further, the Company operates in an international environment with operations in various European locations outside of the Netherlands. Accordingly, the income tax rate is a composite rate reflecting the earnings in various locations and its applicable rates.

Amersfoort, 16 May 2022

Applied Medical Distribution Europe B.V.

R. van der Meer
Director

D. Eijgenraam
Director

C.A.J. Huussen
Director

Other Information

Statutory rules concerning the appropriation of result

Article 18 of the Articles of Association reads as follows:

1. The use of the profits of the Company shall be determined by the shareholders at the General Meeting.
2. The Company distributes profits only if and to the extent that its Shareholders' equity is greater than the aggregate of the paid and called-up part of the issued capital and the reserves, which must be maintained by law.
3. Dividends may be paid only after adoption of the Annual Accounts, which show that they are justified.
4. For the purposes of determining the allocation of profits any Shares or Depository Receipts held by the Company and any Shares or Depository Receipts of which the Company has a Usufruct shall not be taken into account.
5. The General Meeting may resolve to declare interim dividends. A resolution to declare an interim dividend from the profits realized in the current financial year may also be adopted by the Board of Managing Directors. Dividend payments as referred to in this paragraph may be made only if the provision in paragraph 2 has been satisfied.
6. Unless the General Meeting sets a different term for that purpose, dividends shall be made payable within thirty (30) days after they are declared.
7. A General Meeting declaring a dividend may direct that it is to be satisfied wholly or partly by the distribution in kind.
8. Any deficit may be set off against undistributable reserves only if and to the extent that doing so is permitted by law.

Branches

The Company has branches in the following countries:

- Austria;
- Belgium;
- Denmark;
- Finland;
- Ireland;
- Italy;
- Norway;
- Portugal;
- Spain;
- Sweden;
- Switzerland.
- Poland.