Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2020

or

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

For the transition period from _____ to _____

Commission file number: 001-35065

WRIGHT MEDICAL GROUP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands	**98-0509600**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Prins Bernhardplein 200	**None**
1097 JB Amsterdam, The Netherlands	(Zip Code)
(Address of principal executive offices)	

(+31) 20 521 4777
(Registrant's telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, par value €0.03 per share	**WMGI**	**Nasdaq Global Select Market**

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 24, 2020, there were 129,271,023 ordinary shares outstanding.

WRIGHT MEDICAL GROUP N.V.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 28, 2020

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and that are subject to the safe harbor created by those sections. These statements reflect management's current knowledge, assumptions, beliefs, estimates, and expectations and express management's current view of future performance, results, and trends. Forward looking statements may be identified by their use of terms such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, will, and other similar terms. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to materially differ from those described in the forward-looking statements. The reader should not place undue reliance on forward-looking statements. Such statements are made as of the date of this report, and we undertake no obligation to update such statements after this date. Risks and uncertainties that could cause our actual results to materially differ from those described in forward-looking statements are discussed in our filings with the U.S. Securities and Exchange Commission (SEC) (including our most recent Annual Report on Form 10-K, which was filed with the SEC on February 24, 2020). By way of example and without implied limitation, such risks and uncertainties include:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the definitive agreement that we entered into with Stryker Corporation (Stryker) and its wholly-owned acquisition subsidiary on November 4, 2019, pursuant to which we expect to become a wholly-owned subsidiary of Stryker;
- the failure to satisfy required closing conditions under the agreement with Stryker, including, but not limited to, the tender of a minimum number of our outstanding ordinary shares in the related tender offer, the adoption of certain resolutions relating to the transaction at an extraordinary general meeting of Wright's shareholders (which condition has been met), and the receipt of required regulatory approvals, or the failure to complete the acquisition in a timely manner;
- risks related to disruption of management's attention from our ongoing business operations due to the pendency of the transaction with Stryker;
- the effect of the announcement of the transaction with Stryker on our operating results and business generally, including, but not limited to, our ability to retain and hire key personnel and maintain our relationships with customers, strategic partners and suppliers;
- the impact of the pending transaction with Stryker on our strategic plans and operations and our ability to respond effectively to competitive pressures, industry developments and future opportunities;
- the outcome of any legal proceedings that have been or in the future may be instituted against us and others relating to the proposed transaction with Stryker;
- the effect of the global novel strain of coronavirus (COVID-19);
- inability to achieve or sustain profitability;
- failure to realize the anticipated benefits from previous acquisitions and dispositions, including our October 2018 acquisition of Cartiva, Inc. (Cartiva);
- failure to obtain anticipated commercial sales of our AUGMENT® Bone Graft and AUGMENT® Injectable products;
- liability for product liability claims on hip/knee (OrthoRecon) products sold by Wright Medical Technology, Inc. (WMT) prior to the divestiture of the OrthoRecon business;
- risks and uncertainties associated with our metal-on-metal master settlement agreements and the settlement agreements with certain of our insurance companies, including without limitation, the effect of the broad release of certain insurance coverage for present and future claims;
- adverse outcomes in existing product liability litigation;
- copycat claims against modular hip systems resulting from a competitor's recall of its modular hip product;
- the ability of a creditor of any one particular entity within our corporate structure to reach the assets of the other entities within our corporate structure not liable for the underlying claims of the one particular entity, despite our corporate structure which is intended to ring-fence liabilities;
- new product liability claims;
- pending and future other litigation, which could have an adverse effect on our business, financial condition, or operating results;
- challenges to our intellectual property rights or inability to defend our products against the intellectual property rights of others;
- the possibility of private securities litigation or shareholder derivative suits;
- inadequate insurance coverage;
- inability to generate sufficient cash flow to satisfy our capital requirements, including future milestone payments, and existing debt, including the conversion features of our convertible senior notes, or refinance our existing debt as it matures;
- risks associated with our credit, security and guaranty agreement for our senior secured asset-based line of credit and term loan facility;
- inability to raise additional financing when needed and on favorable terms;
- the loss of key suppliers, which may result in our inability to meet customer orders for our products in a timely manner or within our budget;

- the incurrence of significant expenditures of resources to maintain relatively high levels of inventory, which could reduce our cash flows and increase the risk of inventory obsolescence, which could harm our operating results;
- our inability to timely manufacture products or instrument sets to meet demand;
- our private label manufacturers failing to provide us with sufficient supply of their products, or failing to meet appropriate quality requirements;
- our plans to bring the manufacturing of certain of our products in-house and possible disruptions we may experience in connection with such transition;
- our plans to increase our gross margins by taking certain actions designed to do so;
- inventory reductions or fluctuations in buying patterns by wholesalers or distributors;
- not successfully competing against our existing or potential competitors and the effect of significant recent consolidations amongst our competitors;
- not successfully developing and marketing new products and technologies and implementing our business strategy;
- insufficient demand for and market acceptance of our new and existing products;
- the reliance of our business plan on certain market assumptions;
- future actions of the SEC, the United States Attorney's office, the U.S. Food and Drug Administration (FDA), the Department of Health and Human Services, or other U.S. or foreign government authorities, including those resulting from increased scrutiny under the U.S. Foreign Corrupt Practices Act and similar laws, that could delay, limit, or suspend our development, manufacturing, commercialization, and sale of products, or result in seizures, injunctions, monetary sanctions, or criminal or civil liabilities;
- failure or delay in obtaining FDA or other regulatory clearance for our products;
- the compliance of our products and activities with the laws and regulations of the countries in which they are marketed, which compliance may be costly and time-consuming;
- the use, misuse or off-label use of our products that may harm our image in the marketplace or result in injuries that may lead to product liability suits, which could be costly to our business or result in governmental sanctions;
- changes in healthcare laws, which could generate downward pressure on our product pricing;
- ability of healthcare providers to obtain reimbursement for our products or a reduction in the current levels of reimbursement, which could result in reduced use of our products and a decline in sales;
- the potentially negative effect of our ongoing compliance efforts on our relationships with customers and on our ability to deliver timely and effective medical education, clinical studies, and new products;
- failures of, interruptions to, or unauthorized tampering with, our information technology systems;
- our inability to maintain effective internal controls;
- product quality or patient safety issues;
- geographic and product mix impact on our sales;
- deriving a significant portion of our revenues from operations in certain geographic markets that are subject to political, economic, and social instability, including in particular France, and risks and uncertainties involved in launching our products in certain new geographic markets;
- the negative impact of the commercial and credit environment on us, our customers, and our suppliers;
- inability to retain key sales representatives, independent distributors, and other personnel or to attract new talent;
- consolidation in the healthcare industry that could lead to demands for price concessions or the exclusion of some suppliers from certain of our markets, which could have an adverse effect on our business, financial condition, or operating results;
- our clinical trials and their results and our reliance on third parties to conduct them;
- potentially burdensome tax measures; and
- fluctuations in foreign currency exchange rates.

For more information regarding these and other uncertainties and factors that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements or otherwise could materially adversely affect our business, financial condition, or operating results, see "*Part I. Item 1A. Risk Factors*" of our most recent Annual Report on Form 10-K and "*Part II. Item 1A. Risk Factors*" of this report. The risks and uncertainties described above and in "*Part I. Item 1A. Risk Factors"* of our most recent Annual Report on Form 10-K and "*Part II. Item 1A. Risk Factors*" of this report are not exclusive and further information concerning us and our business, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We assume no obligation to update, amend, or clarify forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our future Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K we file with or furnish to the SEC.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited).

Wright Medical Group N.V.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	June 28, 2020	December 29, 2019
Assets:		
Current assets:		
Cash and cash equivalents	$ 133,651	$ 166,856
Accounts receivable, net	107,701	147,400
Inventories	238,783	198,374
Prepaid expenses	14,847	16,031
Other current assets [1]	212,121	214,997
Total current assets	707,103	743,658
Property, plant and equipment, net	259,313	251,922
Goodwill	1,262,296	1,260,967
Intangible assets, net	243,589	257,382
Deferred income taxes	991	1,012
Other assets	90,235	70,699
Total assets	$ 2,563,527	$ 2,585,640
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	$ 36,162	$ 32,121
Accrued expenses and other current liabilities [1]	370,716	387,025
Current portion of long-term obligations [1]	454,337	430,862
Total current liabilities	861,215	850,008
Long-term debt and finance lease obligations	756,829	737,167
Deferred income taxes	9,914	10,384
Other liabilities	94,646	96,288
Total liabilities	1,722,604	1,693,847
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Ordinary shares, €0.03 par value, authorized: 320,000,000 shares; issued and outstanding: 129,059,876 shares at June 28, 2020 and 128,614,026 shares at December 29, 2019	4,706	4,691
Additional paid-in capital	2,630,194	2,608,939
Accumulated other comprehensive loss	(27,340)	(29,499)
Accumulated deficit	(1,766,637)	(1,692,338)
Total shareholders' equity	840,923	891,793
Total liabilities and shareholders' equity	$ 2,563,527	$ 2,585,640

[1] At June 28, 2020 and December 29, 2019, the closing price of our ordinary shares was greater than 130% of the 2021 Notes conversion price for 20 or more of the 30 consecutive trading days preceding the quarter-end; and, therefore, the holders of

the 2021 Notes are able to convert the notes during the succeeding quarterly period. Due to the ability of the holders of the 2021 Notes to convert the notes, the carrying value of the 2021 Notes and the fair value of the 2021 Notes Conversion Derivative were classified as current liabilities, and the fair value of the 2021 Notes Hedges were classified as current assets as of June 28, 2020 and December 29, 2019. See Note 5 and Note 8.

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

Wright Medical Group N.V.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Net sales	$ 129,955	$ 229,734	$ 348,495	$ 459,861
Cost of sales [1]	28,723	48,338	67,638	94,655
Gross profit	101,232	181,396	280,857	365,206
Operating expenses:				
Selling, general and administrative [1]	118,241	152,112	272,830	305,418
Research and development [1]	14,178	18,756	33,778	35,728
Amortization of intangible assets	8,091	7,862	16,215	15,449
Total operating expenses	140,510	178,730	322,823	356,595
Operating (loss) income	(39,278)	2,666	(41,966)	8,611
Interest expense, net	21,176	19,995	41,646	39,690
Other (income) expense, net	(7,462)	(1,831)	(21,169)	11,064
Loss from continuing operations before income taxes	(52,992)	(15,498)	(62,443)	(42,143)
(Benefit) provision for income taxes	(11)	3,434	2,127	7,045
Net loss from continuing operations	(52,981)	(18,932)	(64,570)	(49,188)
(Loss) income from discontinued operations, net of tax	(6,412)	1,120	(9,729)	(5,225)
Net loss	$ (59,393)	$ (17,812)	$ (74,299)	$ (54,413)
Net loss from continuing operations per share - basic and diluted (Note 10):	$ (0.41)	$ (0.15)	$ (0.50)	$ (0.39)
Net (loss) income from discontinued operations per share - basic and diluted (Note 10):	$ (0.05)	$ 0.01	$ (0.08)	$ (0.04)
Net loss per share - basic and diluted (Note 10):	$ (0.46)	$ (0.14)	$ (0.58)	$ (0.43)
Weighted-average number of ordinary shares outstanding - basic and diluted:	128,922	126,267	128,833	126,040

[1] These line items include the following amounts of non-cash, share-based compensation expense for the periods indicated:

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Cost of sales	$ 253	$ 137	$ 477	$ 257
Selling, general and administrative	6,649	6,835	13,124	13,822
Research and development	669	651	1,300	1,165

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

Wright Medical Group N.V.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(unaudited)

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Net loss	$ (59,393)	$ (17,812)	$ (74,299)	$ (54,413)
Other comprehensive income (loss):				
Changes in foreign currency translation	11,271	(123)	2,159	(11,426)
Other comprehensive income (loss)	11,271	(123)	2,159	(11,426)
Comprehensive loss	$ (48,122)	$ (17,935)	$ (72,140)	$ (65,839)

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

Wright Medical Group N.V.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six months ended	
	June 28, 2020	**June 30, 2019**
Operating activities:		
Net loss	$ (74,299)	$ (54,413)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	31,232	31,673
Share-based compensation expense	14,901	15,244
Amortization of intangible assets	16,215	15,449
Amortization of deferred financing costs and debt discount	27,178	26,948
Deferred income taxes	(509)	(1,238)
Provision for excess and obsolete inventory	6,732	6,016
Amortization of inventory step-up adjustment	—	704
Non-cash adjustment to derivative fair values	(25,762)	(1,812)
Net loss on exchange of cash convertible notes	—	14,274
Mark-to-market adjustment for CVRs	—	(420)
Other	1,859	(4,127)
Changes in assets and liabilities:		
Accounts receivable	36,884	1,689
Inventories	(47,992)	(21,921)
Prepaid expenses and other current assets	7,322	(10,596)
Accounts payable	3,904	(4,205)
Accrued expenses and other liabilities	(5,568)	2,834
Metal-on-metal product liabilities (Note 11)	(3,039)	(13,998)
Net cash (used in) provided by operating activities	(10,942)	2,101
Investing activities:		
Capital expenditures	(39,179)	(48,007)
Purchase of intangible assets	(3,733)	(3,614)
Acquisition of business	—	722
Other investing	—	3,766
Net cash used in investing activities	(42,912)	(47,133)
Financing activities:		
Issuance of ordinary shares	6,353	14,014
Issuance of stock warrants	—	21,210
Payment of notes premium	(146)	—
Payment of notes hedge options	—	(30,144)
Repurchase of stock warrants	—	(11,026)
Payment of equity issuance costs	—	(350)
Proceeds from notes hedge options	351	16,849
Proceeds from debt	77,010	3,551
Payments of debt	(58,782)	(2,631)
Payment of financing costs	—	(3,154)
Payment of contingent consideration	(320)	—
Payments of finance lease obligations	(3,754)	(3,904)

Wright Medical Group N.V.
Condensed Consolidated Statements of Cash Flows (Continued)
(In thousands)

	Six months ended	
	June 28, 2020	June 30, 2019
Net cash provided by financing activities	$ 20,712	$ 4,415
Effect of exchange rates on cash and cash equivalents	(63)	(160)
Net decrease in cash and cash equivalents	(33,205)	(40,777)
Cash and cash equivalents, beginning of period	166,856	191,351
Cash and cash equivalents, end of period	$ 133,651	$ 150,574

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

Wright Medical Group N.V.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(In thousands, except share data)
(unaudited)

	Three months ended June 28, 2020					
	Ordinary shares					
	Number of shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at March 29, 2020	128,817,336	$ 4,697	$ 2,620,516	$ (38,611)	$ (1,707,244)	$ 879,358
2020 Activity:						
Net loss	—	—	—	—	(59,393)	(59,393)
Foreign currency translation	—	—	—	11,271	—	11,271
Issuances of ordinary shares	110,236	4	2,115	—	—	2,119
Vesting of restricted stock units	132,304	5	(5)	—	—	—
Share-based compensation	—	—	7,568	—	—	7,568
Balance at June 28, 2020	129,059,876	$ 4,706	$ 2,630,194	$ (27,340)	$ (1,766,637)	$ 840,923

	Three months ended June 30, 2019					
	Ordinary shares					
	Number of shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at March 31, 2019	126,105,530	$ 4,608	$ 2,542,747	$ (19,386)	$ (1,614,714)	$ 913,255
2019 Activity:						
Net loss	—	—	—	—	(17,812)	(17,812)
Foreign currency translation	—	—	—	(123)	—	(123)
Issuances of ordinary shares	137,025	4	3,009	—	—	3,013
Vesting of restricted stock units	338,397	11	(11)	—	—	—
Share-based compensation	—	—	7,697	—	—	7,697
Balance at June 30, 2019	126,580,952	$ 4,623	$ 2,553,442	$ (19,509)	$ (1,632,526)	$ 906,030

	Six months ended June 28, 2020					
	Ordinary shares					
	Number of shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at December 29, 2019	128,614,026	$ 4,691	$ 2,608,939	$ (29,499)	$ (1,692,338)	$ 891,793
2019 Activity:						
Net loss	—	—	—	—	(74,299)	(74,299)
Foreign currency translation	—	—	—	2,159	—	2,159
Issuances of ordinary shares	298,951	10	6,343	—	—	6,353
Vesting of restricted stock units	146,899	5	(5)	—	—	—
Share-based compensation	—	—	14,917	—	—	14,917
Balance at June 28, 2020	129,059,876	$ 4,706	$ 2,630,194	$ (27,340)	$ (1,766,637)	$ 840,923

	Six months ended June 30, 2019					
	Ordinary shares					
	Number of shares	Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
Balance at December 30, 2018	125,555,751	$ 4,589	$ 2,514,295	$ (8,083)	$ (1,578,342)	$ 932,459
2019 Activity:						
Net loss	—	—	—	—	(54,413)	(54,413)
Cumulative impact of lease accounting adoption	—	—	—	—	229	229
Foreign currency translation	—	—	—	(11,426)	—	(11,426)
Issuances of ordinary shares	683,585	23	13,991	—	—	14,014
Vesting of restricted stock units	341,616	11	(11)	—	—	—
Share-based compensation	—	—	15,333	—	—	15,333
Issuance of stock warrants, net of repurchases and equity issuance costs	—	—	9,834	—	—	9,834
Balance at June 30, 2019	126,580,952	$ 4,623	$ 2,553,442	$ (19,509)	$ (1,632,526)	$ 906,030

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

WRIGHT MEDICAL GROUP N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Description of Business

Wright Medical Group N.V. (Wright or we) is a global medical device company focused on extremities and biologics products. We are committed to delivering innovative, value-added solutions improving quality of life for patients worldwide and are a recognized leader of surgical solutions for the upper extremities (shoulder, elbow, wrist and hand), lower extremities (foot and ankle) and biologics markets, three of the fastest growing segments in orthopaedics. We market our products in approximately 50 countries worldwide.

On November 4, 2019, we entered into a definitive agreement with Stryker and its subsidiary, Stryker B.V. Under the terms of the purchase agreement, and upon the terms and subject to the conditions thereof, Stryker B.V. has commenced a tender offer to purchase all of the outstanding ordinary shares of Wright for $30.75 per share, without interest and less applicable withholding taxes, in cash (the Offer). The Offer is currently scheduled to expire at 5:00 p.m., Eastern Time, on August 31, 2020, but may be extended in accordance with the terms of the purchase agreement between Stryker and Wright. The closing of the transaction is subject to receipt of applicable regulatory approvals, the adoption of certain resolutions relating to the transaction at an extraordinary general meeting of Wright's shareholders (which condition has been met), completion of the Offer, and other customary closing conditions.

Our global corporate headquarters are located in Amsterdam, the Netherlands. We also have significant operations located in Memphis, Tennessee (U.S. headquarters, research and development, sales and marketing administration, and administrative activities); Bloomington, Minnesota (upper extremities sales and marketing and warehousing operations); Arlington, Tennessee (manufacturing and warehousing operations); Franklin, Tennessee (manufacturing and warehousing operations); Columbia City, Indiana (research and development); Alpharetta, Georgia (manufacturing and warehousing operations); Montbonnot, France (manufacturing and warehousing operations); Plouzané, France (research and development); and Macroom, Ireland (manufacturing). In addition, we have local sales and distribution offices in Canada, Australia, Asia, Latin America, and throughout Europe. For purposes of this report, references to "international" or "foreign" relate to non-U.S. matters while references to "domestic" relate to U.S. matters. Our ordinary shares are traded on the Nasdaq Global Select Market under the symbol "WMGI."

Impact of Global COVID-19 Pandemic. The global COVID-19 pandemic has led to the temporary closure of businesses, travel restrictions and the implementation of social distancing measures. Hospitals, ambulatory surgery centers and other medical facilities have deferred elective procedures, diverted resources to patients suffering from infections and limited access for non-patients, including our sales representatives. Because of the COVID-19 pandemic, surgeons and their patients are required, or are choosing, to defer procedures in which our products otherwise would be used, and many facilities that specialize in the procedures in which our products otherwise would be used have temporarily closed or reduced operating hours. These circumstances have negatively impacted the ability of our employees, independent sales representatives and distributors to effectively market and sell our products.

In response to the COVID-19 pandemic, we set our corporate priorities and actions as follows. First, we are focused on the health and safety of our employees. Second, we are focused on continuity of product supply and service for our customers and their patients. Third, we are focused on minimizing the spread of the virus to reduce the impact on our communities and hospital systems. Finally, we are focused on maintaining the sustainability of our Company by diligently and thoughtfully conserving and allocating resources, and pausing non-critical spending and non-critical hiring. In furtherance of this objective, we implemented temporary reductions in base salaries for our executive officers and certain other employees, including a 50% reduction for our Chief Executive Officer, 25% reductions for other officers and 15% reductions for certain other employees, as well as a temporary 50% reduction in cash retainers for our Board of Directors. These temporary reductions ended in July 2020 for our executive officers and in June 2020 for our other employees. Our other sustainability measures remain in place.

Because of the anticipated temporary decline in our net sales, on May 7, 2020, we agreed with MidCap to amend the Credit Agreement to, among other things, suspend the quarterly-tested minimum net revenue and minimum adjusted EBITDA financial covenants through the end of 2020 and add a minimum liquidity covenant that will apply from the date of the amendment through May 15, 2021. See Note 8 to the condensed consolidated financial statements for a description of this amendment.

Our fiscal year-end is generally determined on a 52-week basis and runs from the Monday nearest to the 31st of December of a year and ends on the Sunday nearest to the 31st of December of the following year. Every few years, it is necessary to add an extra week to the year making it a 53-week period.

The condensed consolidated financial statements and accompanying notes present our consolidated results for each of the three and six months ended June 28, 2020 and June 30, 2019. The three and six months ended June 28, 2020 and June 30, 2019 each consisted of thirteen and twenty-six weeks, respectively.

All amounts are presented in U.S. dollars ($), except where expressly stated as being in other currencies, e.g., Euros (€).

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation. The unaudited condensed consolidated interim financial statements of Wright Medical Group N.V. have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) for interim financial statements and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to these rules and regulations. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 29, 2019, as filed with the SEC on February 24, 2020.

In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments necessary for a fair presentation of our interim financial results. All such adjustments are of a normal and recurring nature. The results of operations for any interim period are not indicative of results for the full fiscal year. The accompanying unaudited condensed consolidated interim financial statements include our accounts and those of our controlled subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Revenue recognition. Our revenues are primarily generated through two types of customers, hospitals and surgery centers and stocking distributors, with the majority of our revenue derived from sales to hospitals and surgery centers. Our products are sold through a network of employee and independent sales representatives in the United States and by a combination of employee sales representatives, independent sales representatives, and stocking distributors outside the United States. We record revenues from sales to hospitals and surgery centers upon transfer of control of promised products in an amount that reflects the consideration we expect to receive in exchange for those products, which is generally when the product is surgically implanted in a patient.

We record revenues from sales to our stocking distributors at a point in time upon transfer of control of promised products to the distributor. Our stocking distributors, who sell the products to their customers, take control of the products and assume all risks of ownership upon transfer. Our stocking distributors are obligated to pay us within specified terms regardless of when, if ever, they sell the products. In general, our stocking distributors do not have any rights of return or exchange; however, in limited situations, we have repurchase agreements with certain stocking distributors. Those certain agreements require us to repurchase a specified percentage of the inventory purchased by the distributor within a specified period of time prior to the expiration of the contract. During those specified periods, we defer the applicable percentage of the sales. An insignificant amount of sales related to these types of agreements was deferred and not yet recognized as revenue as of June 28, 2020 and June 30, 2019.

We must make estimates of potential future product returns related to current period product sales. We base our estimate for sales returns on historical sales and product return information, including historical experience and trend information. Our reserve for sales returns has historically been immaterial. We incur shipping and handling costs associated with the shipment of goods to customers, independent distributors, and our subsidiaries. Amounts billed to customers for shipping and handling of products are included in net sales. Costs incurred related to shipping and handling of products to customers are included in selling, general and administrative expenses. We also record depreciation on surgical instruments used by our hospital and surgery center customers within selling, general and administrative expense as these costs are considered to be similar to shipping and handling costs, necessary to deliver the implant products to the end customer.

Inventories. Our inventories are valued at the lower of cost or market on a first in, first out (FIFO) basis. Inventory costs include material, labor costs, and manufacturing overhead. We regularly review inventory quantities on hand for excess and obsolete inventory, and, when circumstances indicate, we incur charges to write down inventories to their net realizable value. Historically, our excess and obsolete inventory reserve was based on both the current age of kit inventory as compared to its estimated life cycle and our forecasted product demand and production requirements for other inventory items for the next 36 months. During the quarter ended September 29, 2019, we changed our estimate of excess and obsolete inventory reserves to better reflect the future usage for inventory in excess of estimated three-year demand. The impact of this change in estimate was approximately $26 million. We reduce our inventory reserve and recognize an offset to cost of sales as the related inventory is sold based on an estimated inventory turnover period of 2.5 years.

Total charges incurred to write down excess and obsolete inventory to net realizable value included in “Cost of sales” were approximately $5.2 million and $2.5 million for the three months ended June 28, 2020 and June 30, 2019, respectively. Total charges incurred to write down excess and obsolete inventory to net realizable value included in “Cost of sales” were approximately $6.7 million and $6.0 million for the six months ended June 28, 2020 and June 30, 2019, respectively. During the three and six

months ended June 28, 2020, our cost of sales included a favorable adjustment of $2.6 million and $5.2 million, respectively, as a result of our change in accounting estimate of reserves for excess and obsolete inventory, as such inventory was sold.

Discontinued Operations. On January 9, 2014, pursuant to an Asset Purchase Agreement, dated as of June 18, 2013 (the MicroPort Agreement), by and among us and MicroPort Scientific Corporation (MicroPort), we completed the divestiture and sale of our business operations operating under our prior OrthoRecon operating segment to MicroPort.

All historical operating results for the OrthoRecon business are reflected within discontinued operations in the condensed consolidated financial statements. See Note 3 for further discussion of discontinued operations. Other than Note 3, unless otherwise stated, all discussion of assets and liabilities in these Notes to the condensed consolidated financial statements reflects the assets and liabilities held and used in our continuing operations, and all discussion of revenues and expenses reflects those associated with our continuing operations.

Recent Accounting Pronouncements. On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, and has subsequently issued several supplemental and/or clarifying ASUs (collectively ASC 842). ASC 842 introduced a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in FASB Accounting Standards Codification (ASC) 606, the FASB's new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). We adopted ASC 842 during the quarter ended March 31, 2019 using the hindsight practical expedient, the practical expedient for short-term leases, and the practical expedient package which primarily limited the need for reassessing lease classification on existing leases. During 2019, with the adoption of ASC 842, we recognized all operating leases with terms greater than twelve months in duration on our condensed consolidated balance sheet as right-of-use assets and lease liabilities which totaled approximately $20 million. Additionally, we recorded a cumulative adjustment of $0.2 million to our accumulated deficit upon adoption during the quarter ended March 31, 2019. We adopted the standard using the prospective approach and did not retrospectively apply it to prior periods.

On June 16, 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* and has subsequently issued several supplemental and/or clarifying ASUs. The new standard adds an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. We adopted this ASU in fiscal year 2020, however, this guidance did not have a significant impact on our condensed consolidated financial statements.

On August 29, 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)* to provide guidance on implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of a CCA that is a service contract and clarifies that a customer should apply ASC 350-40, *Internal Use Software*, to determine which implementation costs should be capitalized in such a CCA. We adopted this ASU in fiscal year 2020; however, this guidance did not have a significant impact on our condensed consolidated financial statements.

On December 18, 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* which adds new guidance to simplify the accounting for income taxes and changes the accounting for certain income tax transactions. The new standard is effective for fiscal years beginning after December 15, 2020, and early adoption is permitted. We do not expect this standard to have a material impact on our consolidated financial statements.

3. Discontinued Operations

On January 9, 2014, we completed the divestiture and sale of our OrthoRecon business to MicroPort Scientific Corporation. Certain liabilities associated with the OrthoRecon business, including product liability claims associated with hip and knee products sold by us prior to the closing, were not assumed by MicroPort. Charges associated with these product liability claims, including legal defense, settlements and judgments, income associated with product liability insurance recoveries, and changes to any contingent liabilities associated with the OrthoRecon business have been reflected within results of discontinued operations, and we will continue to reflect these within results of discontinued operations in future periods.

For the three and six months ended June 28, 2020, our loss from discontinued operations, net of tax, totaled $6.4 million and $9.7 million, respectively. For the three and six months ended June 30, 2019, our income (loss) from discontinued operations, net of tax, totaled $1.1 million and $(5.2) million, respectively. Our operating results from discontinued operations and cash used in discontinued operations during 2020 and 2019 were attributable primarily to expenses, net of insurance recoveries, associated with our former OrthoRecon business as described in Note 11. Cash used in discontinued operations totaled $11.3 million and $32.1 million for the six months ended June 28, 2020 and June 30, 2019, respectively. We will incur continuing cash outflows associated

with legal defense costs and the ultimate resolution of these contingent liabilities, net of insurance proceeds, until these liabilities are resolved.

All current and historical operating results for the OrthoRecon business are reflected within discontinued operations in the condensed consolidated financial statements.

4. Inventories

Inventories consist of the following (in thousands):

	June 28, 2020	December 29, 2019
Raw materials	$ 14,814	$ 12,681
Work-in-process	29,613	27,528
Finished goods	194,356	158,165
	$ 238,783	$ 198,374

5. Fair Value of Financial Instruments and Derivatives

We account for derivatives in accordance with FASB ASC 815, which establishes accounting and reporting standards requiring that derivative instruments be recorded on the balance sheet as either an asset or liability measured at fair value. Additionally, changes in the derivatives' fair value shall be recognized currently in earnings unless specific hedge accounting criteria are met.

FASB ASC Section 820, *Fair Value Measurement* requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

As of June 28, 2020, we had 2.25% cash convertible senior notes due 2021 (2021 Notes) and 1.625% cash convertible senior notes due 2023 (2023 Notes) outstanding. The 2.00% cash convertible senior notes due 2020 (2020 Notes) matured and were repaid on February 15, 2020.

See Note 8 of the condensed consolidated financial statements for additional information about the convertible notes. These notes are cash settled upon conversion for the principal amount of the notes plus a conversion premium (valued at the amount our ordinary share price exceeds the respective conversion price of the notes). The conversion premium is a conversion derivative feature that requires bifurcation from the notes in accordance with ASC Topic 815 and is accounted for as a derivative liability (Notes Conversion Derivative).

At the time of issuance of the notes, we entered into hedges with certain option counterparties to reduce our exposure to potential cash payments required for these conversion premiums (Notes Hedges). Upon conversion of the notes, the option counterparties would settle these hedges with us in cash, valued in the same manner as the conversion premiums. The Notes Hedges are accounted for as a derivative asset in accordance with ASC Topic 815. In connection with certain events, including in connection with the Offer as further described in Note 8, our option counterparties have the discretion to make certain adjustments to the Note Hedges, which may reduce the effectiveness of the Note Hedges.

The following table summarizes the fair values and the presentation in our condensed consolidated balance sheets (in thousands) of our Notes Hedges and our Notes Conversion Derivatives:

	June 28, 2020		December 29, 2019	
	Location on condensed consolidated balance sheet	Amount	Location on condensed consolidated balance sheet	Amount
2023 Notes Hedges	Other assets	$ 62,307	Other assets	$ 39,240
2023 Notes Conversion Derivative	Other liabilities	$ 38,981	Other liabilities	$ 31,555
2021 Notes Hedges	Other current assets	$ 182,436	Other current assets	$ 183,437
2021 Notes Conversion Derivative	Accrued expenses and other current liabilities	$ 168,258	Accrued expenses and other current liabilities	$ 179,478
2020 Notes Hedges	Other current assets	$ —	Other current assets	$ 1,969
2020 Notes Conversion Derivative	Accrued expenses and other current liabilities	$ —	Accrued expenses and other current liabilities	$ 1,666

As of June 28, 2020 and December 29, 2019, the sale price condition (as defined in Note 8) for the 2021 Notes was satisfied and, therefore, the 2021 Notes are convertible at any time during the succeeding calendar quarterly period. Due to the ability of the holders of the 2021 Notes to convert the notes, the carrying value of the 2021 Notes and the fair value of the 2021 Notes Conversion Derivative are classified as current liabilities, and the fair value of the 2021 Notes Hedges are classified as current assets as of June 28, 2020 and December 29, 2019. There were no significant conversions through July 28, 2020.

The 2020 Note Hedge and 2020 Conversion Derivative were settled during the first quarter of 2020 and resulted in net proceeds of approximately $0.2 million.

Neither the Notes Conversion Derivatives nor the Notes Hedges qualify for hedge accounting; thus, any changes in the fair value of the derivatives are recognized immediately in our condensed consolidated statements of operations. The following table summarizes the net gain on changes in fair value (in thousands) related to the Notes Hedges and Notes Conversion Derivatives:

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
2023 Notes Hedges	$ 21,894	$ (36,757)	$ 23,067	$ 18,433
2023 Notes Conversion Derivative	(21,501)	37,404	(7,426)	(18,319)
2021 Notes Hedges	25,242	(37,358)	(1,001)	24,563
2021 Notes Conversion Derivative	(15,570)	37,543	11,220	(23,217)
2020 Notes Hedges	—	(3,208)	(1,618)	5,042
2020 Notes Conversion Derivative	—	3,192	1,520	(4,690)
Net gain on changes in fair value	$ 10,065	$ 816	$ 25,762	$ 1,812

In addition to the above net gain on changes in fair value, we also recognized a $12.6 million net loss on the Notes Conversion Derivatives during the quarter ended March 31, 2019 as part of the additional 2023 Notes exchange as described in Note 8.

The Notes Hedges and the Notes Conversion Derivative are measured at fair value using Level 3 inputs. These instruments are not actively traded and are valued using an option pricing model that uses observable and unobservable market data for inputs.

To determine the fair value of the embedded conversion option in the 2020, 2021, and 2023 Notes Conversion Derivatives, a trinomial lattice model was used. A trinomial stock price lattice generates three possible outcomes of stock price - one up, one down, and one stable. This lattice generates a distribution of stock prices at the maturity date and throughout the life of the 2020, 2021, and 2023 Notes. Using this stock price lattice, a convertible note lattice was created where the value of the embedded conversion option was estimated by comparing the value produced in a convertible note lattice with the option to convert against the value without the ability to convert. In each case, the convertible note lattice first calculates the possible convertible note values at the maturity date, using the distribution of stock prices, which equals the maximum of (x) the remaining bond cash flows and (y) stock price times the conversion price. The values of the 2020, 2021, and 2023 Notes Conversion Derivatives at the valuation date were estimated using the values at the maturity date and moving back in time on the lattices (both for the lattice with the conversion option and without the conversion option). Specifically, at each node, if the 2020, 2021, or 2023 Notes are eligible for

early conversion, the value at this node is the maximum of (i) converting to stock, which is the stock price times the conversion price, and (ii) holding onto the 2020, 2021, and 2023 Notes, which is the discounted and probability-weighted value from the three possible outcomes at the future nodes plus any accrued but unpaid coupons that are not considered at the future nodes. If the 2020, 2021, or 2023 Notes are not eligible for early conversion, the value of the conversion option at this node equals to (ii). In the lattice, a credit adjustment was applied to the discount for each cash flow in the model as the embedded conversion option, as well as the coupon and notional payments, is settled with cash instead of shares.

To estimate the fair value of the 2020, 2021 and 2023 Notes Hedges, we used the Black-Scholes formula combined with credit adjustments, as the option counterparties have credit risk and the call options are cash settled. We assumed that the call options will be exercised at maturity since our ordinary shares do not pay any dividends and management does not expect to declare dividends in the near term.

The following assumptions were used in the fair market valuations as of June 28, 2020:

	2021 Notes Conversion Derivative	2021 Notes Hedge	2023 Notes Conversion Derivative	2023 Notes Hedge
Black Stock Volatility [1]	42.3%	42.3%	19.88%	19.88%
Credit Spread for Wright [2]	0.55%	N/A	0.30%	N/A
Credit Spread for Deutsche Bank AG [3]	N/A	N/A	N/A	0.83%
Credit Spread for Wells Fargo Securities, LLC [3]	N/A	N/A	N/A	N/A
Credit Spread for JPMorgan Chase Bank [3]	N/A	0.39%	N/A	0.48%
Credit Spread for Bank of America [3]	N/A	0.39%	N/A	0.49%

[1] Volatility selected based on historical and implied volatility of ordinary shares of Wright Medical Group N.V.

[2] Credit spread implied from traded price.

[3] Credit spread of each bank is estimated using CDS curves. Source: Bloomberg.

Derivatives not Designated as Hedging Instruments

As a result of the acquired business of IMASCAP in 2017, we have recorded the estimated fair value of future contingent consideration of approximately €28.0 million, or approximately $31.5 million, related to the achievement of certain technical milestones and sales earnouts as of June 28, 2020. The estimated fair value of contingent consideration related to technical milestones totaled $24.1 million and $20.8 million as of June 28, 2020 and December 29, 2019, respectively, and is contingent upon the development and approval of a next generation reverse shoulder implant system and new software modules. The estimated fair value of contingent consideration related to sales earnouts totaled $7.4 million and $7.2 million as of June 28, 2020 and December 29, 2019, respectively, and is contingent upon the sale of certain guides and the next generation reverse shoulder implant system.

The fair values of the sales earn out contingent consideration as of June 28, 2020 and December 29, 2019 were determined using a discounted cash flow model and probability adjusted estimates of the future earnings and are classified in Level 3. The discount rate is 12% for the sales earnout contingent consideration.

The contingent consideration from the IMASCAP acquisition related to technical milestones is based on meeting certain developmental milestones for new software modules and for the FDA and CE approval for the next generation reverse shoulder implant system. The fair value of this contingent consideration as of June 28, 2020 and December 29, 2019 was determined using probability adjusted estimates of the future payments and is classified in Level 3. The discount rate is approximately 6% for the contingent consideration related to technical milestones. A change in the discount rate would have limited impact on our profits or the fair value of this contingent consideration.

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates the fair value of these financial instruments at June 28, 2020 and December 29, 2019 due to their short maturities and variable rates.

The following tables summarize the valuation of our financial instruments (in thousands):

	Total	Quoted prices in active markets (Level 1)	Prices with other observable inputs (Level 2)	Prices with unobservable inputs (Level 3)
June 28, 2020				
Assets				
Cash and cash equivalents	$ 133,651	$ 133,651	$ —	$ —
2021 Notes Hedges	182,436	—	—	182,436
2023 Notes Hedges	62,307	—	—	62,307
Total	$ 378,394	$ 133,651	$ —	$ 244,743
Liabilities				
2021 Notes Conversion Derivative	$ 168,258	$ —	$ —	$ 168,258
2023 Notes Conversion Derivative	38,981	—	—	38,981
Contingent consideration	31,456	—	—	31,456
Total	$ 238,695	$ —	$ —	$ 238,695

	Total	Quoted prices in active markets (Level 1)	Prices with other observable inputs (Level 2)	Prices with unobservable inputs (Level 3)
December 29, 2019				
Assets				
Cash and cash equivalents	$ 166,856	$ 166,856	$ —	$ —
2020 Notes Hedges	1,969	—	—	1,969
2021 Notes Hedges	183,437	—	—	183,437
2023 Notes Hedges	39,240	—	—	39,240
Total	$ 391,502	$ 166,856	$ —	$ 224,646
Liabilities				
2020 Notes Conversion Derivative	$ 1,666	$ —	$ —	$ 1,666
2021 Notes Conversion Derivative	179,478	—	—	179,478
2023 Notes Conversion Derivative	31,555	—	—	31,555
Contingent consideration	28,077	—	—	28,077
Total	$ 240,776	$ —	$ —	$ 240,776

The following is a roll forward of our assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) (in thousands):

	Balance at December 29, 2019	Additions	Transfers into Level 3	Gain/(loss) on fair value adjustments included in earnings	Settlements	Currency	Balance at June 28, 2020
2020 Notes Hedges	$ 1,969	—	—	(1,618)	(351)	—	$ —
2020 Notes Conversion Derivative	$ (1,666)	—	—	1,520	146	—	$ —
2021 Notes Hedges	$ 183,437	—	—	(1,001)	—	—	$ 182,436
2021 Notes Conversion Derivative	$ (179,478)	—	—	11,220	—	—	$ (168,258)
2023 Notes Hedges	$ 39,240	—	—	23,067	—	—	$ 62,307
2023 Notes Conversion Derivative	$ (31,555)	—	—	(7,426)	—	—	$ (38,981)
Contingent consideration	$ (28,077)	—	—	(3,509)	(320)	450	$ (31,456)

6. Property, Plant and Equipment

Property, plant and equipment, net consists of the following (in thousands):

	June 28, 2020	December 29, 2019
Property, plant and equipment, at cost	$ 695,387	$ 648,318
Less: Accumulated depreciation	(436,074)	(396,396)
	$ 259,313	$ 251,922

7. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill occurring during the six months ended June 28, 2020 and June 30, 2019 are as follows (in thousands):

	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Total
Balance at December 29, 2019	$ 569,970	$ 625,926	$ 65,071	$ 1,260,967
Foreign currency translation	—	426	903	1,329
Balance at June 28, 2020	$ 569,970	$ 626,352	$ 65,974	$ 1,262,296
Balance at December 30, 2018	$ 569,970	$ 627,850	$ 71,134	$ 1,268,954
Foreign currency translation	—	(1,191)	(3,805)	(4,996)
Balance at June 30, 2019	$ 569,970	$ 626,659	$ 67,329	$ 1,263,958

Goodwill is recognized for the excess of the purchase price over the fair value of net assets of businesses acquired. Goodwill is required to be tested for impairment at least annually. Unless circumstances otherwise dictate, the annual impairment test is performed in the fourth quarter annually.

Following the December 2017 IMASCAP acquisition, foreign currency translation has been reported within the U.S. Upper Extremities segment. While the IMASCAP offices are located in France and the majority of their operations have a functional currency of the euro, the results of the IMASCAP business are managed by the U.S. Upper Extremities segment.

The components of our identifiable intangible assets, net, are as follows (in thousands):

	June 28, 2020		December 29, 2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Indefinite life intangibles:				
In-process research and development (IPRD) technology	$ 7,860	$ —	$ 6,238	$ —
Total indefinite life intangibles	7,860		6,238	
Finite life intangibles:				
Completed technology	172,632	81,204	172,111	72,140
Licenses	9,247	3,395	9,247	2,835
Customer relationships	181,184	46,779	181,094	41,389
Trademarks	13,916	11,987	14,002	11,834
Non-compete agreements	3,439	2,490	5,713	4,090
Other	1,523	357	2,022	757
Total finite life intangibles	381,941	$ 146,212	384,189	$ 133,045
Total intangibles	389,801		390,427	
Less: Accumulated amortization	(146,212)		(133,045)	
Intangible assets, net	$ 243,589		$ 257,382	

Based on the total finite life intangible assets held at June 28, 2020, we expect amortization expense of approximately $31 million in 2020, $30 million in 2021, $30 million in 2022, $30 million in 2023, and $27 million in 2024.

8. Debt and Finance Lease Obligations

Debt and finance lease obligations consist of the following (in thousands):

	Maturity by Fiscal Year	June 28, 2020	December 29, 2019
Finance lease obligations	2020-2026	$ 23,029	$ 25,086
Convertible Notes			
1.625% Notes	2023	709,421	695,748
2.25% Notes [1]	2021	357,184	344,635
2.0% Notes	2020	—	55,997
Term loan facility	2021	54,463	19,296
Asset-based line of credit [2]	2021	61,709	20,652
Other debt	2020-2024	5,360	6,615
		1,211,166	1,168,029
Less: Current portion [1,2]		(454,337)	(430,862)
Long-term debt and finance lease obligations		$ 756,829	$ 737,167

[1] As of June 28, 2020 and December 29, 2019, the sale price condition (as defined below) for the 2021 Notes was satisfied and, therefore, the 2021 Notes are convertible at any time during the succeeding calendar quarterly period. As a result, the carrying value of the 2021 Notes was classified as a current liability as of June 28, 2020 and December 29, 2019.

[2] We have reflected this debt as a current liability as of June 28, 2020 and December 29, 2019, as required by US GAAP due to the weekly lockbox repayment/re-borrowing arrangement underlying the agreement, as well as the ability for the lenders to accelerate the repayment of the debt under certain circumstances as described below.

Convertible Notes

The components of our Convertible Notes were as follows (in thousands):

	June 28, 2020	December 29, 2019
Principal amount of 2023 Notes	$ 814,556	$ 814,556
Unamortized debt discount	(95,495)	(107,916)
Unamortized debt issuance costs	(9,640)	(10,892)
Net carrying amount of 2023 Notes	$ 709,421	$ 695,748
Principal amount of 2021 Notes	$ 395,000	$ 395,000
Unamortized debt discount	(35,593)	(47,405)
Unamortized debt issuance costs	(2,223)	(2,960)
Net carrying amount of 2021 Notes	$ 357,184	$ 344,635
Principal amount of 2020 Notes	$ —	$ 56,455
Unamortized debt discount	—	(408)
Unamortized debt issuance costs	—	(50)
Net carrying amount of 2020 Notes	$ —	$ 55,997

The 2021 Notes were issued by us and the 2020 Notes and the 2023 Notes were issued by Wright Medical Group, Inc. (WMG) and are fully and unconditionally guaranteed by Wright Medical Group N.V. The 2020 Notes matured and were repaid on February 15, 2020.

The holders of the Convertible Notes may convert their notes solely into cash at their option at any time prior to the Early Conversion date (as defined below) only under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of our ordinary shares for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day (the sale price condition); (2) during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our ordinary shares and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events, including in connection with the Offer as further described below and within Note 1. The Certain terms of conversion are set forth below:

	2021 Notes	2023 Notes
Conversion rate	46.8165	29.9679
Conversion price	$ 21.36	$ 33.37
Early Conversion date	May 15, 2021	December 15, 2022
Maturity date	November 15, 2021	June 15, 2023

On or after the Early Conversion date until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes solely into cash, regardless of the foregoing circumstances. Upon conversion, a holder will receive an amount in cash, per $1,000 principal amount of the Convertible Notes, equal to the settlement amount as calculated under the Notes Indenture. If a fundamental change, as defined in the applicable Notes Indenture, occurs, subject to certain conditions, holders of the applicable series of Convertible Notes will have the option to require us to repurchase for cash all or a portion of their Convertible Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date, as defined in the applicable Notes Indenture. In addition, if a make-whole fundamental change, as defined in the applicable Notes Indenture, occurs prior to the maturity date, we are required to increase the applicable conversion rate for a holder that elects to convert its Notes in connection with such make-whole fundamental change.

On November 4, 2019, we entered into a definitive agreement with Stryker and its subsidiary, Stryker B.V. Under the terms of the agreement, and upon the terms and subject to the conditions thereof, Stryker B.V. commenced the Offer to purchase all of the outstanding ordinary shares of Wright for $30.75 per share, without interest and less applicable withholding taxes, in cash. The obligation of Stryker and Stryker B.V. to consummate the Offer is subject to the tender of a minimum number of our outstanding shares in the related tender offer, the adoption of certain resolutions relating to the transaction at an extraordinary general meeting of Wright's shareholders (which condition has been met), receipt of applicable regulatory approvals and other customary conditions. If these conditions are satisfied and the Offer closes, Stryker may acquire any remaining shares through a post-offer reorganization. Wright expects that a fundamental change and a make-whole fundamental change will occur at the time Stryker B.V. accepts for purchase and pays for all shares validly tendered pursuant to the Offer. Wright also expects that the Offer will trigger certain conversion rights under each of the Notes Indentures prior to the closing of the proposed acquisition by Stryker.

As described above, the 2021 Notes were convertible during the first and second quarters of 2020 and are convertible for the third quarter of 2020. There were no significant conversions through July 28, 2020.

The 2021 Notes and our guarantee of the 2023 Notes are senior unsecured obligations that rank: (i) senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the guarantee; (ii) equal in right of payment to any of our unsecured indebtedness that is not so subordinated; (iii) effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. Because the 2023 Notes were issued by WMG, they are structurally senior to all indebtedness and other liabilities of Wright Medical Group N.V.

The estimated fair value of the 2021 and 2023 Notes was approximately $553.0 million and $840.5 million, respectively, at June 28, 2020, based on a quoted price in an active market (Level 1).

The Notes Conversion Derivatives require bifurcation from the Convertible Notes in accordance with ASC Topic 815, *Derivatives and Hedging*, and are accounted for as a derivative liability. See Note 5 for additional information regarding the Notes Conversion Derivative.

In connection with the issuance of each series of Convertible Notes, we and WMG entered into the Note Hedges, which are generally intended to reduce exposure to potential cash payments that we or WMG, as applicable, would be required to make if holders elect to convert the Convertible Notes at a time when our ordinary share price exceeds the conversion price. We also entered into warrant transactions (the Warrants) in connection with the issuance of each series of Convertible Notes in which we sold warrants that are initially exercisable in the same number of shares as are issuable upon conversion of the applicable series of Convertible Notes at the initial conversion rate. The strike price of the Note Hedge for each series of Convertible Notes is equal to the conversion price of the applicable series of Convertible Notes and the exercise prices for the Warrants issued with the 2021 and 2023 Notes are $30.00 and $40.86, respectively. The strike prices of the Notes Hedges and exercise prices of the Warrants are subject to adjustment upon the occurrence of certain events including in connection with the Offer as further described above and within Note 1. See Note 5 for additional information regarding the Notes Hedges. The 2020 Note Hedge and 2020 Conversion Derivative were settled during the first quarter of 2020 and resulted in net proceeds of approximately $0.2 million. The warrants associated with the 2020 Notes have an exercise price of $38.80 and are expected to be net-share settled and exercisable over a certain trading period as detailed below.

However, in connection with certain events, including, among others, (i) a merger or other make-whole fundamental change, including in connection with the Offer as further described above and within Note 1; (ii) certain hedging disruption events, which may include changes in tax laws, an increase in the cost of borrowing our ordinary shares in the market or other material increases in the cost to the option counterparties of hedging the Note Hedges; (iii) our failure to perform certain obligations under the Notes Indenture or under the Notes Hedges; (iv) certain defaults on our, or any of our other subsidiary's indebtedness in excess of $25 million; (v) if we, or any of our significant subsidiaries become insolvent or otherwise become subject to bankruptcy proceedings or (vi) if we repurchase Convertible Notes in the open market, through a tender or exchange offer or in individually negotiated transactions, the option counterparties have the discretion to terminate the Notes Hedges, which may reduce the effectiveness of the Notes Hedges. In addition, the option counterparties have broad discretion to make certain adjustments to the Notes Hedges and Warrants upon the occurrence of certain other events, including, among others, (i) upon the announcement of certain significant corporate events, including events that may give rise to a termination event as described above, such as the announcement of a third-party tender offer, including in connection with the Offer as further described above and within Note 1; or (ii) solely with respect to the Notes Hedges, any adjustment to the conversion rate of the Notes. Any such adjustment may also reduce the effectiveness of the Note Hedges and further the dilutive effect of the Warrants.

Aside from the initial premiums paid to the option counterparties and subject to the right of the option counterparties to terminate the Notes Hedges and Warrants in certain circumstances, we do not generally expect to be required to make any cash payments

to the option counterparties under the Notes Hedges and Warrants and expect to be entitled to receive from the option counterparties cash, generally equal to the amount by which the market price per ordinary share exceeds the strike price of the applicable Note Hedge during the relevant valuation period.

The Warrants are expected to be net-share settled and exercisable over a certain trading period after the Convertible Notes mature as detailed below:

	2020 Notes	2021 Notes	2023 Notes
Exercisable period	200 trading day period beginning on May 15, 2020	100 trading day period beginning on February 15, 2022	120 trading day period beginning on September 15, 2023

If the market value per ordinary share exceeds the strike price on any settlement date under the applicable Warrant, we will generally be obligated to issue to the Warrant holders in the aggregate, a number of shares equal in value to the amount by which the then-current market value of one ordinary share exceeds the then-effective strike price of each Warrant, multiplied by the number of Warrants exercised. As a result, the Warrants will have a dilutive effect on our ordinary shares to the extent that the market value per ordinary share during such period exceeds the applicable strike price of the Warrants.

As of June 28, 2020 and December 29, 2019, we had warrants outstanding related to the 2020 Notes, 2021 Notes and 2023 Notes which were exercisable for 1.9 million ordinary shares, 18.5 million ordinary shares, and 24.4 million ordinary shares, respectively.

As of June 28, 2020, our effective interest rates for the 2020, 2021, and 2023 Notes were 8.54%, 9.72%, and 5.76%, respectively. For the three and six months ended June 28, 2020 and June 30, 2019, we recorded the following interest expense related to the amortization of the debt discount (in thousands):

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
2023 Notes	$ 6,256	$ 5,937	$ 12,422	$ 11,461
2021 Notes	5,977	5,426	11,812	10,723
2020 Notes	—	770	408	2,215

On February 7, 2019, WMG issued an additional $139.6 million aggregate principal amount of 2023 Notes in exchange for $130.1 million aggregate principal amount of 2020 Notes. For each $1,000 principal amount of 2020 Notes validly submitted for exchange, we delivered $1,072.40 principal amount of 2023 Notes to the exchanging investor (subject, in each case, to rounding to the nearest $1,000 aggregate principal amount for each such exchanging investor). As this was a debt modification, a pro rata share of the 2020 Notes discount and deferred financing costs which totaled $7.4 million and $0.9 million, respectively, was transferred to the 2023 Notes discount and deferred financing costs. Additionally, the 2023 Notes discount was adjusted in order for net debt to remain the same subsequent to the exchange. The discount and deferred financing costs will be amortized over the remaining term of the 2023 Notes using the effective interest method.

The fair value of the 2023 Notes Conversion Derivative associated with the additional $139.6 million of 2023 Notes was $28.9 million at the time of issuance, and the pro rata share of the 2020 Notes Conversion Derivative that was settled as part of the additional 2023 Notes exchange had a fair value of $16.3 million immediately prior to issuance of the additional 2023 Notes. As the exchange was accounted for as a debt modification, the net amount of $12.6 million was recognized as a loss on settlement during the quarter ended March 31, 2019.

On January 30, 2019 and January 31, 2019, we entered into additional Note Hedge and Warrant transactions with the same strike and exercise prices as set forth above for the 2023 Notes. We paid approximately $30.1 million in the aggregate to the option counterparties for the additional Note Hedge, and received approximately $21.2 million in the aggregate from the option counterparties for the Warrants, resulting in a net cost to us of approximately $8.9 million. In addition, we settled a pro rata share of the 2020 Notes Hedges corresponding to the amount of the 2020 Notes exchanged pursuant to the above-described exchange. We received proceeds of approximately $16.8 million related to the 2020 Notes Hedges and paid $11.0 million related to the 2020 Warrants, generating net proceeds of $5.8 million.

For more information relating to our Convertible Notes, please refer to our Annual Report on Form 10-K for the year ended December 29, 2019.

Credit Agreement

On December 23, 2016, we, together with WMG and certain of our other wholly-owned U.S. subsidiaries (collectively, Borrowers), entered into a Credit, Security and Guaranty Agreement with MidCap Financial Trust, as administrative agent (Agent) and a lender and the additional lenders from time to time party thereto, which agreement was subsequently amended and restated in May 2018 and subsequently amended thereafter on several occasions, including the May 7, 2020 amendment described herein, which, among other things, suspended certain financial covenants through the end of 2020 (as amended, the Credit Agreement).

The Credit Agreement provides for a $175 million senior secured asset-based line of credit, subject to the satisfaction of a borrowing base requirement (ABL Facility) and a $55 million term loan facility (Term Loan Facility). The ABL Facility may be increased by up to $75 million upon the Borrowers' request, subject to the consent of the Agent and each of the other lenders providing such increase. All borrowings under the ABL Facility are subject to the satisfaction of customary conditions, including the absence of default, the accuracy of representations and warranties in all material respects and the delivery of an updated borrowing base certificate. The initial $20 million term loan tranche was funded at closing in May 2018 and the second $35 million term loan tranche was funded in May 2020. All borrowings under the Term Loan Facility are subject to the satisfaction of customary conditions, including the absence of default and the accuracy of representations and warranties in all material respects.

As of June 28, 2020, we had $61.7 million in borrowings outstanding under the ABL Facility and $113.3 million in unused availability under the ABL Facility. We borrowed $40 million under the ABL Facility during the second quarter of 2020. As of December 29, 2019, we had $20.7 million in borrowings outstanding under the ABL Facility and $154.3 million in unused availability under the ABL Facility.

The interest rate margin applicable to borrowings under the ABL Facility is, at the option of the Borrowers, equal to either (a) 3.25% for base rate loans or (b) 4.25% for LIBOR rate loans, subject to a 0.75% LIBOR floor. In addition to paying interest on the outstanding loans under the ABL Facility, the Borrowers also are required to pay a customary unused line fee equal to 0.50% per annum in respect of unutilized commitments and certain other customary fees related to Agent's administration of the ABL Facility. Beginning January 1, 2017, the Borrowers are required to maintain a minimum drawn balance on the ABL Facility equal to 20% of the average borrowing base for each month. To the extent the actual drawn balance is less than 20%, the Borrowers must pay a fee equal to the amount the lenders under the ABL Facility would have earned had the Borrowers maintained a minimum drawn balance equal to 20% of the average borrowing base for such month.

The Credit Agreement requires that the Borrowers calculate the borrowing base for the ABL Facility on at least a monthly basis and each time the Borrowers make a draw on the ABL Facility in accordance with the formula set forth in the Credit Agreement. The borrowing base is subject to adjustment and the implementation of reserves by the Agent in its permitted discretion, as further described in the Credit Agreement. If at any time the outstanding drawn balance under the ABL Facility exceeds the borrowing base as in effect at such time, Borrowers will be required to prepay loans under the ABL Facility in an amount equal to such excess. Certain accounts receivables and proceeds of collateral of the Borrowers will be applied to reduce the outstanding principal amount of the ABL Facility on a periodic basis.

There is no scheduled amortization under the ABL Facility and (subject to borrowing base requirements and applicable conditions to borrowing) the available revolving commitment may be borrowed, repaid, and reborrowed without restriction. All outstanding loans under the ABL Facility will be due and payable in full on the date that is the earliest to occur of December 23, 2021 or the date that is 91 days prior to the maturity date of the 2021 Notes; provided if we refinance, extend, renew or replace at least 85% of the 2021 Notes, as applicable, outstanding as of the closing date of the ABL Facility pursuant to the terms of the Credit Agreement, the maturity date will be deemed extended.

Any voluntary or mandatory permanent reduction or termination of the revolving commitments under the ABL Facility is subject to a prepayment premium equal to 0.75% of such reduced or terminated amount.

The interest rate applicable to borrowings under the Term Loan Facility is equal to one-month LIBOR plus 7.85%, subject to a 1.00% LIBOR floor. The Credit Agreement previously provided that amortization payments under the Term Loan Facility were due in equal monthly installments beginning on May 1, 2019 unless we meet certain adjusted EBITDA targets; in which case, the amortization payments would not commence until May 1, 2021. We had previously met all such targets. As a result of the May 7, 2020 amendment to the Credit Agreement, the monthly straight line amortization payments of the Term Loan Facility will now commence on January 1, 2021. In addition to paying interest on the outstanding loans under the Term Loan Facility, the Borrowers are also required to pay certain other customary fees related to Agent's administration of the Term Loan Facility.

The Term Loan Facility requires mandatory prepayments, subject to the right of reinvestment and certain other exceptions, in amounts equal to 100% of the net cash proceeds from certain asset sales and casualty and condemnation events in excess of $10 million in any fiscal year. Any voluntary or mandatory prepayment under the Term Loan Facility, subject to certain exceptions,

was previously subject to a 1.00% prepayment premium, but as a result of the May 7, 2020 amendment to the Credit Agreement, the prepayment premium under the Term Loan Facility is now 1.25%. The advances under the Term Loan Facility are due and payable in full at the same time as the outstanding loans under the ABL Facility.

All of the obligations under the ABL Facility and the Term Loan Facility are guaranteed jointly and severally by us and each of the Borrowers and are secured by a senior first priority security interest in substantially all existing and after-acquired assets of us and each Borrower on the terms set forth in the Credit Agreement.

The Credit Agreement contains certain negative covenants that restrict our ability to take certain actions as specified in the ABL Credit Agreement and an affirmative covenant that we maintain net revenue at or above minimum levels and maintain liquidity in the United States at a level specified in the Credit Agreement, subject to certain exceptions. In addition to financial and liquidity covenants consistent with those in the Credit Agreement, while the Term Loan Facility is outstanding, the Company is required to maintain a minimum adjusted EBITDA, as described in the Credit Agreement. On May 7, 2020, we agreed with MidCap to amend the Credit Agreement to suspend the quarterly-tested minimum net revenue and minimum adjusted EBITDA financial covenants through the end of 2020 and add a minimum liquidity covenant that will apply from the date of the amendment through May 15, 2021. The Credit Agreement will not affect our ability to meet our existing contractual obligations, except in circumstances where an event of default (subject to certain exceptions) has occurred and is continuing. The Credit Agreement also contains negative covenants, representations and warranties, affirmative covenants and events of default, in each case subject to grace periods, thresholds, and materiality qualifiers consistent with the Credit Agreement.

Our exposure to interest rate risk arises principally from variable interest rates applicable to borrowings under our Credit Agreement and the interest rates associated with our invested cash balances.

Borrowings under our Credit Agreement, including our ABL Facility and Term Loan Facility, bear interest at variable rates. The interest rate margin applicable to borrowings under the ABL Facility is, at the option of the Borrowers, equal to either (a) 3.25% for base rate loans or (b) 4.25% for LIBOR rate loans, subject to a 0.75% LIBOR floor. The interest rate applicable to borrowings under the Term Loan Facility is equal to one-month LIBOR plus 7.85%, subject to a 1.00% LIBOR floor. Based upon our debt level and the LIBOR floor on our interest rate, a 100 basis point increase in the annual interest rate on such borrowings would have an immaterial impact on our interest expense on an annual basis.

Other Debt

Other debt primarily includes government loans, mortgages, and miscellaneous international bank loans.

9. Accumulated Other Comprehensive Income (AOCI)

Other comprehensive income (OCI) includes certain gains and losses that under US GAAP are included in comprehensive loss but are excluded from net loss as these amounts are initially recorded as an adjustment to shareholders' equity. Amounts in OCI may be reclassified to net loss upon the occurrence of certain events.

For the three and six months ended June 28, 2020 and June 30, 2019, OCI was comprised solely of foreign currency translation adjustments.

Changes in AOCI for the three and six months ended June 28, 2020 and June 30, 2019 were as follows (in thousands):

	Three months ended June 28, 2020
	Currency translation adjustment
Balance at March 29, 2020	$ (38,611)
Other comprehensive income	11,271
Balance at June 28, 2020	$ (27,340)

	Three months ended June 30, 2019
	Currency translation adjustment
Balance at March 31, 2019	$ (19,386)
Other comprehensive loss	(123)
Balance at June 30, 2019	$ (19,509)

	Six months ended June 28, 2020
	Currency translation adjustment
Balance at December 29, 2019	$ (29,499)
Other comprehensive income	2,159
Balance at June 28, 2020	$ (27,340)

	Six months ended June 30, 2019
	Currency translation adjustment
Balance at December 30, 2018	$ (8,083)
Other comprehensive loss	(11,426)
Balance at June 30, 2019	$ (19,509)

10. Capital Stock and Earnings Per Share

Our articles of association provide an authorized capital of €9.6 million divided into 320 million ordinary shares, each with a par value of three Euro cents (€0.03). At our 2019 annual general meeting of shareholders, our shareholders authorized our board of directors until June 28, 2021 to issue, or grant rights to purchase or subscribe for, our unissued ordinary shares up to 20% of our issued and outstanding shares at the time of issue, which is further divided into 10% for general corporate purposes (including potential mergers and acquisitions) and an additional 10% only for potential mergers and acquisitions. We had 129.1 million and 128.6 million ordinary shares issued and outstanding as of June 28, 2020 and December 29, 2019, respectively.

FASB ASC Topic 260, *Earnings Per Share*, requires the presentation of basic and diluted earnings per share. Basic earnings per share is calculated based on the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated to include any dilutive effect of our ordinary share equivalents. For the three and six months ended June 28, 2020 and June 30, 2019, our ordinary share equivalents consisted of stock options, restricted stock units, performance share units, and warrants. The dilutive effect of the stock options, restricted stock units, performance share units, and warrants is calculated using the treasury-stock method.

We had outstanding options to purchase 8.6 million ordinary shares, 1.1 million restricted stock units, and 0.8 million performance share units, assuming maximum performance, at June 28, 2020 and outstanding options to purchase 9.2 million ordinary shares, 1.0 million restricted stock units, and 0.2 million performance share units, assuming maximum performance, at June 30, 2019.

We had outstanding net-share settled warrants on the 2020 Notes, 2021 Notes and 2023 Notes of 1.9 million ordinary shares, 18.5 million ordinary shares, and 24.4 million ordinary shares, respectively, at June 28, 2020 and June 30, 2019. See Note 8 of the condensed consolidated financial statements for additional information about the convertible notes and the related warrants.

None of the options, restricted stock units, performance share units, or warrants were included in the calculation of diluted net loss from continuing operations per share, diluted loss from discontinued operations per share, and diluted net loss per share for the three and six months ended June 28, 2020 or June 30, 2019, because we recorded a net loss from continuing operations for all periods. Including these instruments would be anti-dilutive as the net loss from continuing operations is the control number in determining whether those potential common shares are dilutive or anti-dilutive.

The weighted-average number of ordinary shares outstanding for basic and diluted earnings per share purposes is as follows (in thousands):

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Weighted-average number of ordinary shares outstanding-basic and diluted	128,922	126,267	128,833	126,040

11. Commitments and Contingencies

Legal Contingencies

The legal contingencies described in this footnote relate primarily to WMT, an indirect subsidiary of Wright Medical Group N.V., and are not necessarily applicable to Wright Medical Group N.V. or other affiliated entities. Maintaining separate legal entities within our corporate structure is intended to ring-fence liabilities. We believe our ring-fenced structure should preclude corporate veil-piercing efforts against entities whose assets are not associated with particular claims.

As described below, our business is subject to various contingencies, including patent and other litigation and product liability claims. These contingencies could result in losses, including damages, fines, or penalties, any of which could be substantial. Although such matters are inherently unpredictable, and negative outcomes or verdicts can occur, we believe we have significant defenses in all of them and are vigorously defending all of them. However, we could incur judgments, pay settlements, or revise our expectations regarding the outcome of any matter. Such developments, if any, could have a material adverse effect on our results of operations in the period in which applicable amounts are accrued, or on our cash flows in the period in which amounts are paid, however, unless otherwise indicated, we do not believe any of them will have a material adverse effect on our financial position.

Our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss or the measurement of a loss can be complex. We have accrued for losses that are both probable and reasonably estimable. Unless otherwise indicated, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessment process relies on estimates and assumptions that may prove to be incomplete or inaccurate. Unanticipated events and circumstances may occur that could cause us to change our estimates and assumptions.

Patent Litigation

On March 23, 2018, WMT filed suit against Paragon 28, Inc. (Paragon 28) in the United States District Court for the District of Colorado, alleging infringement of ten patents concerning orthopaedic plates, plating systems and instruments, and related methods of use. Our complaint seeks damages, injunctive relief and attorneys' fees. On June 4, 2018, Paragon 28 filed an amended answer and counterclaim seeking declaratory judgment of non-infringement and invalidity of the patent-in-suit, and attorneys' fees. On September 28, 2018, WMT filed an amended complaint adding claims against Paragon 28 for misappropriation of trade secrets and related wrongdoing. Paragon 28 filed a motion to dismiss those trade secret-related claims, which WMT opposed. On September 30, 2019, the Court issued an order granting in part and denying in part the motion to dismiss, leaving intact the majority of the trade secret-related claims. A motion for clarification of the order remains pending. In March 2019, Paragon 28 filed four petitions with the Patent Trial and Appeal Board seeking Inter Partes Reviews of the patents in question, which WMT opposed. On September 25, 2019 and October 4, 2019, the Patent Trial and Appeal Board granted Paragon 28's petitions. Oral arguments were heard on June 18, 2020, and we expect the Patent Trial and Appeal Board to render a substantive decision on the merits of the petitions in October 2020.

On April 24, 2020, ConforMIS, Inc. filed suit against WMT and Tornier, Inc. in the United States District Court for the District of Delaware alleging that the patient specific instrumentation (PSI) Wright makes available for use in certain shoulder arthroplasty procedures infringes its asserted patents. The suit alleges that shoulder implants and related products, when used together with PSI, also infringe the asserted patents. The suit seeks, among other things, a permanent injunction, statutory damages and treble damages for willful infringement. We dispute these allegations and intend to defend the suit vigorously.

Product Liability

We have received claims for personal injury against us associated with fractures of the PROFEMUR® titanium modular neck product (PROFEMUR® Claims). As of June 28, 2020, there were approximately 32 unresolved pending U.S. lawsuits and approximately five unresolved pending non-U.S. lawsuits alleging such claims. The overall fracture rate for the product is low and the fractures appear, at least in part, to relate to patient demographics. In 2009, we began offering a cobalt-chrome version of the PROFEMUR® modular neck, which has greater strength characteristics than the alternative titanium version. However, during the fiscal quarter ended September 30, 2011, as a result of an increase in the number and monetary amount of these claims, management estimated our liability to patients in the United States and Canada who have previously required a revision following a fracture of a PROFEMUR® titanium modular neck, or who may require a revision in the future. As of June 28, 2020, our accrual for PROFEMUR® Claims totaled $11.8 million, of which $6.4 million is included in our condensed consolidated balance sheet within "Accrued expenses and other current liabilities" and $5.4 million is included within "Other liabilities." As of December 29, 2019, our accrual for PROFEMUR® Claims totaled $12.1 million, of which $8.8 million is included in our consolidated balance sheet within "Accrued expenses and other current liabilities" and $3.3 million is included within "Other liabilities." We expect to pay the majority of these claims within the next two years. Any claims associated with this product outside of the United States and Canada, or for any other products, will be managed as part of our standard product liability accrual methodology on a case-by-case basis.

We are aware that MicroPort has recalled a certain size of its cobalt chrome modular neck product as a result of alleged fractures. As of June 28, 2020, there were eleven pending U.S. lawsuits and five pending non-U.S. lawsuits against us alleging personal injury resulting from the fracture of a cobalt chrome modular neck. These claims will be managed as part of our standard product liability accrual methodology on a case-by-case basis.

On May 18, 2020, certain plaintiffs' counsel filed a motion to coordinate (Motion to Transfer) pre-trial management of 42 cases involving both titanium and cobalt chrome PROFEMUR® modular necks in a multi-district litigation. Plaintiffs request that the cases be coordinated before a judge in the United States District Court for the Eastern District of Arkansas. We have opposed the Motion to Transfer and a hearing on the Motion to Transfer is scheduled for July 30, 2020.

Claims for personal injury have also been made against us associated with metal-on-metal hip products (primarily the CONSERVE® product line). The pre-trial management of certain of these claims was consolidated in the federal court system, in the United States District Court for the Northern District of Georgia under multi-district litigation (MDL) and certain other claims by the Judicial Counsel Coordinated Proceedings in state court in Los Angeles County, California (JCCP and, together with the MDL, the Consolidated Metal-on-Metal Claims). Pursuant to previously disclosed settlement agreements with the Court-appointed attorneys representing plaintiffs in the MDL and JCCP described below (the MoM Settlement Agreements), the MDL and JCCP were closed to new cases effective October 18, 2017 and October 31, 2017, respectively.

Excluding claims resolved in the MoM Settlement Agreements, as of June 28, 2020, there were approximately 235 unresolved metal-on-metal hip cases pending in the U.S. This number includes cases ineligible for settlement under the MoM Settlement Agreements, cases which opted out of such settlements, post-settlement cases, tolled cases, and existing state court cases that were not part of the MDL or JCCP. As of June 28, 2020, we estimate there also were pending approximately 28 unresolved non-U.S. metal-on metal hip cases, 59 unresolved U.S. modular neck cases alleging claims related to the release of metal ions, and zero non-U.S. modular neck cases with metal ion allegations. We also estimate that as of June 28, 2020, there were approximately 509 non-revision claims either dismissed or awaiting dismissal from the MDL and JCCP, which dismissal is a condition of the MoM Settlement Agreements. Although there is a limited time period during which dismissed non-revision claims may be refiled, it is presently unclear how many non-revision claimants will elect to do so. As of June 28, 2020, no dismissed non-revision cases have been refiled.

We believe we have data that supports the efficacy and safety of these hip products. Every hip implant case, including metal-on-metal hip cases, involves fundamental issues of law, science, and medicine that often are uncertain, that continue to evolve, and which present contested facts and issues that can differ significantly from case to case. Such contested facts and issues include medical causation, individual patient characteristics, surgery specific factors, statutes of limitation, and the existence of actual, provable injury.

As previously disclosed, between November 2016 and October 2017, WMT entered into three MoM Settlement Agreements with Court-appointed attorneys representing plaintiffs in the MDL and JCCP to settle a total of 1,974 cases that met the eligibility requirements of the MoM Settlement Agreements and were either pending in the MDL or JCCP, or subject to court-approved tolling agreements in the MDL or JCCP, for an aggregate sum of $339.2 million. As of June 28, 2020, we had funded $337.4 million under the MoM Settlement Agreements. We, the indirect parent company of WMT, have guaranteed WMT's obligations under the MoM Settlement Agreements.

The MoM Settlement Agreements contain specific eligibility requirements and establish procedures for proof and administration of claims, negotiation, and execution of individual settlement agreements, determination of the final total settlement amount, and funding of individual settlement amounts by WMT. Eligibility requirements include, without limitation, that the claimant has a claim pending or tolled in the MDL or JCCP, that, with limited exceptions, the claimant has undergone a revision surgery within eight years of the original implantation surgery, and that the claim has not been identified by WMT as having possible statute of limitation issues. Claimants who have had bilateral revision surgeries will be counted as two claims but only to the extent both claims separately satisfy all eligibility criteria.

The MoM Settlement Agreements were entered into solely as a compromise of the disputed claims being settled and are not evidence that any claim has merit nor are they an admission of wrongdoing or liability by WMT. WMT will continue to vigorously defend metal-on-metal hip claims not settled pursuant to the MoM Settlement Agreements.

As of June 28, 2020, our accrual for metal-on-metal claims totaled $37.4 million, of which $30.4 million is included in our consolidated balance sheet within "Accrued expenses and other current liabilities" and $7.0 million is included within "Other liabilities." As of December 29, 2019, our accrual for metal-on-metal claims totaled $40.5 million, of which $33.0 million was included in our consolidated balance sheet within "Accrued expenses and other current liabilities" and $7.5 million was included within "Other liabilities." Our accrual is based on (i) case by case accruals for specific cases where facts and circumstances warrant, and (ii) the implied settlement values for eligible claims under the MoM Settlement Agreements. We are unable to reasonably estimate the high-end of a possible range of loss for claims which elected to opt out of the MoM Settlement Agreements. Claims we can confirm would meet the eligibility criteria set forth in the MoM Settlement Agreements but are excluded from the settlements due to the maximum settlement cap, or because they are cases not part of the MDL or JCCP, have been accrued consistent with the respective settlement rates. Due to the general uncertainties surrounding all metal-on metal claims as noted

above, as well as insufficient information about individual claims, we are presently unable to reasonably estimate a range of loss for future claims; hence we have not accrued for these claims at the present time.

We continue to believe the high-end of a possible range of loss for existing revision claims that do not meet eligibility criteria of the MoM Settlement Agreements will not, on an average per case basis, exceed the average per case accrual we take for revision claims we can confirm do meet eligibility criteria of the applicable settlement agreement. Future claims will be evaluated for accrual on a case by case basis using the accrual methodologies described above (which could change if future facts and circumstances warrant).

We have maintained product liability insurance coverage on a claims-made basis. During the fiscal quarter ended September 30, 2012, we received a customary reservation of rights from Federal, our then primary product liability insurance carrier, asserting that certain present and future claims which allege certain types of injury related to the CONSERVE® metal-on-metal hip products (CONSERVE® Claims) would be covered as a single occurrence under the policy year the first such claim was asserted. The effect of this coverage position would have been to place CONSERVE® Claims into a single prior policy year in which applicable claims-made coverage was available, subject to the overall policy limits then in effect. We notified Federal that we disputed its characterization of the CONSERVE® Claims as a single occurrence, which resulted in multi-year insurance coverage litigation (the Tennessee Coverage Litigation) that has recently been resolved as discussed below.

As previously disclosed, we entered into settlement agreements with all seven insurance carriers with whom metal-on-metal hip coverage was in dispute - Columbia Casualty Company, Travelers, AXIS Surplus Lines Insurance Company, Federal, Catlin Specialty Insurance Company, Catlin Underwriting Agencies Limited for and on behalf of Syndicate 2003 at Lloyd's of London, and Lexington Insurance Company (Lexington), thus resolving in full the Tennessee Coverage Litigation and the separate litigation and arbitration proceedings with Lexington.

As of June 28, 2020, our insurance carriers have paid an aggregate of $120.4 million of insurance proceeds related to the metal-on-metal claims, including amounts received under the above referenced settlement agreements, of which $113.7 million has been paid directly to us and $6.7 million has been paid directly to claimants. Except as provided in such settlement agreements, our acceptance of the insurance proceeds was not a waiver of any other claim we may have against the insurance carriers unrelated to metal-on-metal coverage and our disputes with carriers relating thereto.

Given the substantial or indeterminate amounts sought in these matters, and the inherent unpredictability of such matters, an adverse outcome in these matters in excess of the amounts included in our accrual for contingencies could have a material adverse effect on our financial condition, results of operations and cash flow. Future revisions to our estimates of these provisions could materially impact our results of operations and financial position. We use the best information available to determine the level of accrued product liabilities, and believe our accruals are adequate.

Stryker Acquisition Related Litigation

On January 15, 2020, John Thompson, a purported shareholder of the Company, filed a putative class action lawsuit against us, members of our board of directors, Stryker B.V., and Stryker Corporation in the United States District Court for the District of Delaware. The lawsuit is captioned *Thompson v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-00061 (the Thompson Action). The complaint filed in the Thompson Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Thompson Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Thompson Action alleges that members of our board of directors and Stryker acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Thompson Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; an order directing our board of directors to file a Schedule 14D-9 that does not contain any untrue statements of material fact and that states all material facts required or necessary to make the statements contained therein not misleading; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On January 31, 2020, William Grubb, a purported shareholder of the Company, filed a lawsuit against us and members of our board of directors in the United States District Court for the Eastern District of New York. The lawsuit is captioned *Grubb v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-00553 (the Grubb Action). The complaint filed in the Grubb Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Grubb Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the

Grubb Action alleges that members of our board of directors acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Grubb Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On April 9, 2020, Gracie Woodward, a purported shareholder of the Company, filed a lawsuit against us and members of our board of directors in the United States District Court for the District of Delaware. The lawsuit is captioned *Woodward v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-494 (the Woodward Action). The complaint filed in the Woodward Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Woodward Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Woodward Action alleges that members of our board of directors acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Woodward Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On April 15, 2020, Marcy Curtis, a purported shareholder of the Company, filed a putative class action lawsuit against us, members of our board of directors, Stryker B.V., and Stryker Corporation in the United States District Court for the District of Delaware. That suit is captioned *Curtis v. Wright Medical Group N.V.*, et al., Case No. 1:20-cv-00509 (the Curtis Action). The complaint filed in the Curtis Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Curtis Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Curtis Action alleges that members of our board of directors and Stryker acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Curtis Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; an order directing our board of directors to file a Schedule 14D-9 that does not contain any untrue statements of material fact and that states all material facts required or necessary to make the statements contained therein not misleading; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On April 28, 2020, Shiva Stein, a purported shareholder of the Company, filed a lawsuit against us, members of our board of directors, Stryker B.V., and Stryker Corporation in the United States District Court for the District of Delaware. That suit is captioned *Stein v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-00582 (the "Stein Action"). The complaint filed in the Stein Action alleges that we, the members of our board of directors, and the Stryker defendants violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Stein Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Stein Action alleges that members of our board of directors acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Stein Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; and an award of plaintiff's costs, including attorneys' fees and expenses.

Other

In addition to those noted above, we are subject to various other legal proceedings, product liability claims, corporate governance, and other matters which arise in the ordinary course of business.

12. Segment Information

Our management, including our Chief Executive Officer, who is our chief operating decision maker, manages our operations as three operating business segments: U.S. Lower Extremities & Biologics, U.S. Upper Extremities, and International Extremities & Biologics. We determined that each of these operating segments represented a reportable segment. Our Chief Executive Officer

reviews financial information at the operating segment level to allocate resources and to assess the operating results and performance of each segment.

Our U.S. Lower Extremities & Biologics segment consists of our operations focused on the sale in the United States of our lower extremities products, such as joint implants and bone fixation devices for the foot and ankle, and our biologics products used to support treatment of damaged or diseased bone, tendons, and soft tissues or to stimulate bone growth. Our U.S. Upper Extremities segment consists of our operations focused on the sale primarily in the United States of our upper extremities products, such as joint implants and bone fixation devices for the shoulder, elbow, wrist, and hand, and products used across several anatomic sites to mechanically repair tissue-to-tissue or tissue-to-bone injuries and other ancillary products. As the IMASCAP operations are managed by the U.S. Upper Extremities management team, results of operations and assets related to IMASCAP are included within the U.S. Upper Extremities segment. Our International Extremities and Biologics segment consists of our operations focused on the sale outside the United States of all lower and upper extremities products, including associated biologics products.

Management measures segment profitability using an internal operating performance measure that excludes the impact of inventory step-up amortization and transaction and transition costs associated with acquisitions, as such items are not considered representative of segment results. We have determined that each reportable segment represents a reporting unit and, in accordance with ASC 350, each reporting unit requires an allocation of goodwill.

Selected financial information related to our segments is presented below for the three and six months ended June 28, 2020 and June 30, 2019 (in thousands):

	Three months ended June 28, 2020				
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Corporate [1]	Total
Net sales from external customers	$ 53,067	$ 51,238	$ 25,650	$ —	$ 129,955
Depreciation expense	2,327	3,513	3,451	5,902	15,193
Amortization expense	—	—	—	8,091	8,091
Segment operating income (loss)	$ 7,647	$ 15,029	$ (12,787)	$ (44,904)	$ (35,015)
Other:					
Transaction and transition costs					4,263
Operating loss					(39,278)
Interest expense, net					21,176
Other income, net					(7,462)
Loss before income taxes					$ (52,992)

	Three months ended June 30, 2019				
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Corporate [1]	Total
Net sales from external customers	$ 91,204	$ 81,342	$ 57,188	$ —	$ 229,734
Depreciation expense	2,533	3,174	3,970	6,495	16,172
Amortization expense	—	—	—	7,862	7,862
Segment operating income (loss)	$ 23,009	$ 28,784	$ 308	$ (48,486)	$ 3,615
Other:					
Inventory step-up amortization					352
Transition costs					597
Operating income					2,666
Interest expense, net					19,995
Other income, net					(1,831)
Loss before income taxes					$ (15,498)

	Six months ended June 28, 2020				
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Corporate [1]	Total
Net sales from external customers	$ 139,604	$ 138,494	$ 70,397	$ —	$ 348,495
Depreciation expense	5,348	6,805	7,059	12,020	31,232
Amortization expense	—	—	—	16,215	16,215
Segment operating income (loss)	$ 27,823	$ 48,897	$ (17,786)	$ (90,517)	$ (31,583)
Other:					
Transaction and transition costs					10,383
Operating loss					(41,966)
Interest expense, net					41,646
Other income, net					(21,169)
Loss before income taxes					$ (62,443)

	Six months ended June 30, 2019				
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Corporate [1]	Total
Net sales from external customers	$ 186,020	$ 164,293	$ 109,548	$ —	$ 459,861
Depreciation expense	5,221	6,325	7,733	12,394	31,673
Amortization expense	—	—	—	15,449	15,449
Segment operating income (loss)	$ 51,950	$ 60,232	$ (1,181)	$ (100,665)	$ 10,336
Other:					
Inventory step-up amortization					704
Transaction and transition costs					1,021
Operating income					8,611
Interest expense, net					39,690
Other expense, net					11,064
Loss before income taxes					$ (42,143)

[1] The Corporate category primarily reflects general and administrative expenses not specifically associated with the U.S. Lower Extremities & Biologics, U.S. Upper Extremities, and International Extremities & Biologics segments. These non-allocated corporate expenses relate to global administrative expenses that support all segments, including salaries and benefits of certain executive officers and expenses such as: information technology administration and support; corporate headquarters; legal, compliance, and corporate finance functions; insurance; and all share-based compensation.

Our principal geographic regions consist of the United States, EMEAC (which includes Europe, the Middle East, Africa, and Canada), and Other (which principally represents Asia, Australia, and Latin America). Net sales attributed to each geographic region are based on the location in which the products were sold.

WRIGHT MEDICAL GROUP N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

Net sales by geographic region by product line are as follows (in thousands):

	Three months ended		Six months ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
United States				
Lower extremities	$ 39,020	$ 66,832	$ 104,385	$ 138,140
Upper extremities	50,521	80,146	136,761	161,873
Biologics	13,533	23,588	33,955	46,228
Sports med & other	1,231	1,980	2,997	4,072
Total United States	$ 104,305	$ 172,546	$ 278,098	$ 350,313
EMEAC				
Lower extremities	$ 3,878	$ 12,111	$ 14,541	$ 24,369
Upper extremities	11,378	24,138	31,037	47,415
Biologics	754	2,092	2,454	4,164
Sports med & other	888	2,513	3,157	5,139
Total EMEAC	$ 16,898	$ 40,854	$ 51,189	$ 81,087
Other				
Lower extremities	$ 1,987	$ 4,872	$ 4,812	$ 8,165
Upper extremities	3,765	7,016	8,987	13,204
Biologics	2,872	4,239	5,121	6,705
Sports med & other	128	207	288	387
Total other	$ 8,752	$ 16,334	$ 19,208	$ 28,461
Total net sales	$ 129,955	$ 229,734	$ 348,495	$ 459,861

Assets in the U.S. Upper Extremities, U.S. Lower Extremities & Biologics, and International Extremities & Biologics segments are those assets used exclusively in the operations of each business segment or allocated when used jointly. Assets in the Corporate category are principally cash and cash equivalents, derivative assets, property, plant and equipment associated with our corporate headquarters, assets associated with discontinued operations, product liability insurance receivables, and assets associated with income taxes. Total assets by business segment as of June 28, 2020 and December 29, 2019 are as follows (in thousands):

	June 28, 2020				
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Corporate	Total
Total assets	$ 941,741	$ 914,931	$ 293,978	$ 412,877	$ 2,563,527

	December 29, 2019				
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics	Corporate	Total
Total assets	$ 952,187	$ 914,317	$ 292,929	$ 426,207	$ 2,585,640

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition for the three and six months ended June 28, 2020. This discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements, our Annual Report on Form 10-K for the year ended December 29, 2019, which includes additional information about our critical accounting policies and practices and risk factors, and *"Special Note Regarding Forward-Looking Statements."*

Proposed Acquisition by Stryker

On November 4, 2019, we entered into a definitive agreement with Stryker and its subsidiary, Stryker B.V. Under the terms of the purchase agreement, and upon the terms and subject to the conditions thereof, Stryker B.V. has commenced a tender offer to purchase all of the outstanding ordinary shares of Wright for $30.75 per share, without interest and less applicable withholding taxes, in cash (Offer). The Offer is currently scheduled to expire at 5:00 p.m., Eastern Time, on August 31, 2020, but may be extended in accordance with the terms of the purchase agreement between Stryker and Wright. The closing of the transaction is subject to receipt of applicable regulatory approvals, the adoption of certain resolutions relating to the transaction at an extraordinary general meeting of Wright's shareholders (which condition has been met), completion of the Offer, and other customary closing conditions.

Background

On January 9, 2014, we completed the sale of our former hip and knee (OrthoRecon) business to MicroPort Scientific Corporation (MicroPort). All current and historical operating results for the OrthoRecon business are reflected within discontinued operations in the condensed consolidated financial statements for all periods presented, unless otherwise noted.

Other than the discontinued operations of the OrthoRecon business, unless otherwise stated, all discussion of assets and liabilities in the notes to the condensed consolidated financial statements and in this section, reflects the assets and liabilities held and used in our continuing operations, and all discussion of revenues and expenses reflects those associated with our continuing operations.

Our fiscal year-end is generally determined on a 52-week basis and runs from the first Monday after the last Sunday of December of a year and ends on the last Sunday of December of the following year. Every few years, it is necessary to add an extra week to the year making it a 53-week period. The three and six months ended June 28, 2020 and June 30, 2019 each consisted of thirteen and twenty-six weeks, respectively.

Executive Overview

Company Description. We are a global medical device company focused on extremities and biologics products. We are committed to delivering innovative, value-added solutions improving quality of life for patients worldwide and are a recognized leader of surgical solutions for the upper extremities (shoulder, elbow, wrist and hand), lower extremities (foot and ankle) and biologics markets, three of the fastest growing segments in orthopaedics. Our product portfolio consists of the following product categories:

- Upper extremities, which include joint implants and bone fixation devices for the shoulder, elbow, wrist, and hand;
- Lower extremities, which include joint implants and bone fixation devices for the foot and ankle;
- Biologics, which include products used to support treatment of damaged or diseased bone, tendons, and soft tissues or to stimulate bone growth; and
- Sports medicine and other, which include products used across several anatomic sites to mechanically repair tissue-to-tissue or tissue-to-bone injuries and other ancillary products

Our global corporate headquarters are located in Amsterdam, the Netherlands. We also have significant operations located in Memphis, Tennessee (U.S. headquarters, research and development, sales and marketing administration, and administrative activities); Bloomington, Minnesota (upper extremities sales and marketing and warehousing operations); Arlington, Tennessee (manufacturing and warehousing operations); Franklin, Tennessee (manufacturing and warehousing operations); Columbia City, Indiana (research and development); Alpharetta, Georgia (manufacturing and warehousing operations); Montbonnot, France (manufacturing and warehousing operations); Plouzané, France (research and development); and Macroom, Ireland (manufacturing). In addition, we have local sales and distribution offices in Canada, Australia, Asia, Latin America, and throughout Europe.

We sell our products in approximately 50 countries with principal markets in the United States, Europe, Asia, Canada, Australia, and Latin America. Our products are sold primarily through a network of employee and independent sales representatives in the United States and by a combination of employee sales representatives, independent sales representatives, and stocking distributors outside the United States.

Principal Products. We have focused our efforts into growing our position in the high-growth extremities and biologics markets. We believe a more active and aging patient population with higher expectations regarding "quality of life," an increasing global awareness of extremities and biologics solutions, improved clinical outcomes as a result of the use of such products, and technological advances resulting in specific designs for such products that simplify procedures and address unmet needs for early interventions, and the growing need for revisions and revision-related solutions will drive the market for extremities and biologics products.

Our principal upper extremities products include the AEQUALIS ASCEND® FLEX™ convertible shoulder system and SIMPLICITI® total shoulder replacement system, AEQUALIS® PERFORM™ Reversed Glenoid System, and the AEQUALIS® REVERSED II™ reversed shoulder system. SIMPLICITI® is the first minimally invasive, canal sparing total shoulder available in the United States. We believe SIMPLICITI® allows us to expand the market to include younger patients that historically have deferred these procedures. Our BLUEPRINT™ 3D Planning Software can be used with our products to assist surgeons in accurately positioning the glenoid and humeral implants and replicating the pre-operative surgical plan. Other principal upper extremities products include the EVOLVE® radial head prosthesis for elbow fractures, the EVOLVE® Elbow Plating System, and the RAYHACK® osteotomy system. AEQUALIS® FLEX REVIVE™ was launched to limited users early in the first quarter of 2019 and was fully launched at the end of the second quarter of 2019.

Our principal lower extremities products include the INBONE®, INFINITY®, INFINITY® with Adaptis Technology, and INVISION™ Total Ankle Replacement systems, all of which can be used with our PROPHECY® Preoperative Navigation Guides, which combine computer imaging with a patient's CT scan, and are designed to provide alignment accuracy while reducing surgical steps. As a result of our October 2018 acquisition of Cartiva, our lower extremities product portfolio includes Cartiva's Synthetic Cartilage Implant (SCI), the only PMA approved product for treatment of first Metatarsophalangeal (MTP) joint osteoarthritis. Our lower extremities products also include the PROstep™ Minimally Invasive Surgery system for foot and ankle, Salvation external fixation system for the treatment of Charcot diabetic foot, the CLAW® II Polyaxial Compression Plating System, the ORTHOLOC™ 3Di Reconstruction Plating System, the PHALINX® system used for hammertoe indications, PRO-TOE® VO Hammertoe System, the VALOR® ankle fusion nail system, and the Swanson line of toe joint replacement products.

Our biologic products use both biological tissue-based and synthetic materials to allow the body to regenerate damaged or diseased bone and to repair damaged or diseased soft tissue. Our principal biologic products include AUGMENT® Bone Graft and AUGMENT® Injectable. AUGMENT® is based on recombinant human platelet-derived growth factor (rhPDGF-BB), a synthetic copy of one of the body's principal healing agents. Other principal biologics products include the GRAFTJACKET® and GRAFTJACKET NOW™ lines of soft tissue repair and containment membranes, the ACTISHIELD™ and VIAFLOW™ products which are derived from amniotic and placental tissues, the ALLOMATRIX® line of injectable tissue-based bone graft substitutes, the PRO-DENSE® Injectable Graft, the OSTEOSET® synthetic bone graft substitute, and the PRO-STIM® Injectable Inductive Graft. Additionally, we introduced BIOSKIN® Amniotic Wound Matrix in the third quarter of 2019 to address chronic wounds treated by surgical podiatrists.

Impact of Global COVID-19 Pandemic. The global COVID-19 pandemic has led to the temporary closure of businesses, travel restrictions and the implementation of social distancing measures. Hospitals, ambulatory surgery centers and other medical facilities have deferred elective procedures, diverted resources to patients suffering from infections and limited access for non-patients, including our sales representatives. Because of the COVID-19 pandemic, surgeons and their patients are required, or are choosing, to defer procedures in which our products otherwise would be used, and many facilities that specialize in the procedures in which our products otherwise would be used have temporarily closed or reduced operating hours. These circumstances have negatively impacted the ability of our employees, independent sales representatives and distributors to effectively market and sell our products. While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced a significant increase in volume in June 2020 compared to earlier in the second quarter of 2020. While we continue to believe the impact of COVID-19 on our business will be temporary, we cannot precisely estimate the length or severity of the impact.

In response to the COVID-19 pandemic, we set our corporate priorities and actions as follows. First, we are focused on the health and safety of our employees. Second, we are focused on continuity of product supply and service for our customers and their patients. Third, we are focused on minimizing the spread of the virus to reduce the impact on our communities and hospital systems. Finally, we are focused on maintaining the sustainability of our Company by diligently and thoughtfully conserving and allocating resources, and pausing non-critical spending and non-critical hiring. In furtherance of this objective, we implemented temporary reductions in base salaries for our executive officers and certain other employees, including a 50% reduction for our Chief Executive Officer, 25% reductions for other officers and 15% reductions for certain other employees, as well as a temporary 50% reduction in cash retainers for our Board of Directors. These temporary reductions ended in July 2020 for our executive officers and in June 2020 for our other employees. Our other sustainability measures remain in place.

Because of the anticipated temporary decline in our net sales, on May 7, 2020, we agreed with MidCap to amend the Credit Agreement to, among other things, suspend the quarterly-tested minimum net revenue and minimum adjusted EBITDA financial

covenants through the end of 2020 and add a minimum liquidity covenant that will apply from the date of the amendment through May 15, 2021. See Note 8 to the condensed consolidated financial statements for a description of this amendment.

Other Significant Quarterly Business Developments.

On June 8, 2020, the U.S. Centers for Medicare & Medicaid Services (CMS) published an update to the reimbursement calculation used to determine the transitional pass-through payment for the device category applicable to AUGMENT® Regenerative Solutions, including AUGMENT® Bone Graft and AUGMENT® Injectable, originally implemented on January 1, 2020. Based on this update, when hindfoot and ankle fusions are performed in the hospital outpatient and ambulatory surgical center settings of care, the facility will be paid for the incremental cost of AUGMENT. This updated payment amount is made retroactive to January 1, 2020 and will remain in place for three years. Transitional pass-through payments are intended to facilitate Medicare beneficiary access to the advantages of new and innovative devices by allowing for adequate payment for these new devices while the necessary cost data is collected to incorporate the costs for these devices into the procedure Ambulatory Payment Classifications (APC) rate.

Financial Highlights. Net sales decreased 43.4% totaling $130.0 million in the second quarter of 2020, compared to $229.7 million in the second quarter of 2019, due to the impact of the COVID-19 pandemic. Our U.S. net sales decreased $68.2 million, or 39.5%, in the second quarter of 2020 as compared to the second quarter of 2019, due to the COVID-19 pandemic. Sales in our U.S. lower extremities business, U.S. upper extremities business and U.S. biologics business declined by 41.6%, 37.0% and 42.6%, respectively, during the second quarter of 2020 compared to the prior year period. While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020, noting that U.S. sales in June 2020 declined only 3% as compared to June 2019. Additionally, our U.S. lower extremities business included 8% net sales growth in our total ankle replacement products and our U.S. upper extremities business included 12% net sales growth in our shoulder products in June 2020 compared to June 2019.

Our international net sales decreased $31.5 million, or 55.1%, in the second quarter of 2020 as compared to the second quarter of 2019, due to the impact of the COVID-19 pandemic and a $0.3 million unfavorable impact from foreign currency exchange rates. However, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020, but more modestly than in the U.S.

In the second quarter of 2020, our net loss from continuing operations was $53.0 million, compared to a net loss from continuing operations of $18.9 million for the second quarter of 2019. This increase in net loss from continuing operations was primarily driven by reduced profitability as a result of lower net sales due to the impact of the COVID-19 pandemic.

Opportunities and Challenges. On November 4, 2019, we entered into a definitive agreement with Stryker and its subsidiary, Stryker B.V. pursuant to which, and upon the terms and subject to the conditions thereof, Stryker B.V. commenced the Offer to purchase all of the outstanding ordinary shares of Wright for $30.75 per share, without interest and less applicable withholding taxes, in cash.

We intend to continue to focus on leveraging the global strengths of our product brands as a pure-play extremities and biologics business. Additionally, we believe the highly complementary nature of our businesses gives us significant diversity and scale across a range of geographies and product categories. We believe we are a leader in the development of software-based solutions for preoperative planning of shoulder replacement surgery, using BLUEPRINT™, to further differentiate our product portfolio and to further accelerate growth opportunities in our global extremities business. We believe we have significant opportunity in the future with the recent and anticipated launch of new products, including our AEQUALIS™ PERFORM™ Reversed Glenoid System, AEQUALIS™ FLEX REVIVE™ revision shoulder system, our PROstep™ Minimally Invasive Surgery system, AUGMENT® Injectable, and through driving BLUEPRINT™ adoption and by focusing on implementing initiatives to help us better compete at ambulatory surgery centers.

Despite these opportunities, as described in more detail above, the COVID-19 pandemic is likely to continue to temporarily adversely affect our business.

Significant Industry Factors and Challenges. Our industry is affected by numerous competitive, regulatory, and other significant factors. The growth of our business relies on our ability to continue to develop new products and innovative technologies, obtain regulatory clearance and maintain compliance for our products, protect the proprietary technology of our products and our manufacturing processes, manufacture our products cost-effectively and on a timely basis to meet demand, respond to competitive pressures specific to each of our geographic markets, including our ability to enforce non-compete agreements, and successfully market and distribute our products in a profitable manner. We, and the entire industry, are subject to extensive governmental regulation. Failure to comply with regulatory requirements could have a material adverse effect on our business, operating results, and financial condition. We, as well as other participants in our industry, are subject to product liability claims, which could have a material adverse effect on our business, operating results, and financial condition. Finally, as described in more detail above, our industry is currently being adversely affected by the COVID-19 pandemic.

Results of Operations

Comparison of the three months ended June 28, 2020 to the three months ended June 30, 2019

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts (in thousands) and as percentages of net sales:

	Three months ended			
	June 28, 2020		June 30, 2019	
	Amount	% of net sales	Amount	% of net sales
Net sales	$ 129,955	100.0 %	$ 229,734	100.0 %
Cost of sales [1]	28,723	22.1 %	48,338	21.0 %
Gross profit	101,232	77.9 %	181,396	79.0 %
Operating expenses:				
Selling, general and administrative [1]	118,241	91.0 %	152,112	66.2 %
Research and development [1]	14,178	10.9 %	18,756	8.2 %
Amortization of intangible assets	8,091	6.2 %	7,862	3.4 %
Total operating expenses	140,510	108.1 %	178,730	77.8 %
Operating (loss) income	(39,278)	(30.2)%	2,666	1.2 %
Interest expense, net	21,176	16.3 %	19,995	8.7 %
Other (income) expense, net	(7,462)	(5.7)%	(1,831)	(0.8)%
Loss from continuing operations before income taxes	(52,992)	(40.8)%	(15,498)	(6.7)%
Provision for income taxes	(11)	0.0 %	3,434	1.5 %
Net loss from continuing operations	$ (52,981)	(40.8)%	$ (18,932)	(8.2)%
(Loss) income from discontinued operations, net of tax	(6,412)		1,120	
Net loss	$ (59,393)		$ (17,812)	

[1] These line items include the following amounts of non-cash, share-based compensation expense for the periods indicated:

	Three months ended			
	June 28, 2020	% of net sales	June 30, 2019	% of net sales
Cost of sales	$ 253	0.2%	$ 137	0.1%
Selling, general and administrative	6,649	5.1%	6,835	3.0%
Research and development	669	0.5%	651	0.3%

The following tables set forth our net sales by product line for the U.S. and International for the periods indicated (in thousands) and the percentage of year-over-year change:

	Three months ended		
	June 28, 2020	June 30, 2019	% change
U.S.			
Lower extremities	$ 39,020	$ 66,832	(41.6)%
Upper extremities	50,521	80,146	(37.0)%
Biologics	13,533	23,588	(42.6)%
Sports med & other	1,231	1,980	(37.8)%
Total U.S.	$ 104,305	$ 172,546	(39.5)%
International			
Lower extremities	$ 5,865	$ 16,983	(65.5)%
Upper extremities	15,143	31,154	(51.4)%
Biologics	3,626	6,331	(42.7)%
Sports med & other	1,016	2,720	(62.6)%
Total International	$ 25,650	$ 57,188	(55.1)%
Total net sales	$ 129,955	$ 229,734	(43.4)%

Net sales

U.S. Sales. U.S. net sales totaled $104.3 million in the second quarter of 2020, a 39.5% decrease from $172.5 million in the second quarter of 2019, due to the effects of the COVID-19 pandemic. U.S. sales represented approximately 80.3% of total net sales in the second quarter of 2020, compared to 75.1% of total net sales in the second quarter of 2019. While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020, noting that U.S. sales in June 2020 declined 3% as compared to June 2019.

Our U.S. lower extremities net sales decreased to $39.0 million in the second quarter of 2020 compared to $66.8 million in the second quarter of 2019, representing a 41.6% decrease. While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020, noting that sales in June 2020 declined 11% as compared to June 2019. Further, we experienced 8% net sales growth in our total ankle replacement products in June 2020 as compared to June 2019.

Our U.S. upper extremities net sales decreased to $50.5 million in the second quarter of 2020 from $80.1 million in the second quarter of 2019, representing a decline of 37.0%. While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020, noting sales in June 2020 increased by 12% as compared to June 2019, driven by 12% net sales growth of our shoulder products. Our U.S. upper extremities sales continue to be driven by the ongoing launch of our FLEX REVIVE™ revision shoulder system and continued success of the combination of our BLUEPRINT™ enabling technology, PERFORM™ Reversed Glenoid System and SIMPLICITI® shoulder system.

Our U.S. biologics net sales decreased to $13.5 million in the second quarter of 2020 from $23.6 million in the second quarter of 2019, representing a 42.6% decrease. While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020. Net sales in June 2020 declined 23% as compared to June 2019.

International Sales. Net sales in our international regions totaled $25.7 million in the second quarter of 2020 compared to $57.2 million in the second quarter of 2019. This 55.1% decrease was due to the impact of the COVID-19 pandemic, as well as a $0.3 million unfavorable impact from foreign currency exchange rates (a 1 percentage point unfavorable impact to international sales growth rate).

Our international lower extremities net sales decreased 65.5% to $5.9 million in the second quarter of 2020 from $17.0 million in the second quarter of 2019 due to the impact of the COVID-19 pandemic and, to a lesser extent, a $0.1 million unfavorable impact from foreign currency exchange rates (a 1 percentage point unfavorable impact to international lower extremities sales growth rate). While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced a modest increase in volume in June 2020 compared to earlier in the second quarter of 2020.

Our international upper extremities net sales decreased 51.4% to $15.1 million in the second quarter of 2020 from $31.2 million in the second quarter of 2019. This decrease was due to the impact of the COVID-19 pandemic and, to a lesser extent, a $0.2 million unfavorable impact from foreign currency exchange rates (a 1 percentage point unfavorable impact to international upper extremities sales growth rate). While the disruption of the pandemic to worldwide surgical volume was significant during the second quarter of 2020, we experienced an increase in volume in June 2020 compared to earlier in the second quarter of 2020, noting June 2020 sales declined 20% in our European direct markets as compared to June 2019.

Our international biologics net sales decreased 42.7% to $3.6 million in the second quarter of 2020 from $6.3 million in the second quarter of 2019 due to the impact of the COVID-19 pandemic and, to a lesser extent, a $0.1 million unfavorable impact from foreign currency exchange rates (a 1 percentage point unfavorable impact to international biologics sales growth rate).

While we experienced a significant increase in volume in June 2020 compared to earlier in the second quarter of 2020, our net sales for the quarter ended June 28, 2020 were significantly lower as a result of the COVID-19 pandemic, and the resulting continued demand for our products has been lower. While we continue to believe the impact of COVID-19 on our business will be temporary, we cannot precisely estimate the length or severity of the impact.

Cost of sales

Our cost of sales totaled $28.7 million, or 22.1% of net sales, in the second quarter of 2020, compared to $48.3 million, or 21.0% of net sales, in the second quarter of 2019. Our second quarter 2020 cost of sales included a $2.6 million (2.0% of net sales) favorable adjustment as a result of our change in accounting estimate of reserves for excess and obsolete inventory, as such inventory was sold (see Note 2 to the condensed consolidated financial statements for further discussion of change in our estimate). The increase to cost of sales as a percentage of net sales was primarily driven by the impact of certain period costs, including provisions for excess and obsolete inventory, as a percentage of the lower net sales in 2020, as well as unfavorable geographic and product mix.

Selling, general and administrative

Our selling, general and administrative expenses totaled $118.2 million, or 91.0% of net sales, in the second quarter of 2020, compared to $152.1 million, or 66.2% of net sales, in the second quarter of 2019. Selling, general and administrative expenses as a percentage of net sales increased due to decreased net sales as a result of the impact of the COVID-19 pandemic, and to a lesser extent, a $3.7 million (3 percentage point) increase in transaction and transition costs as a result of the pending Stryker transaction.

Our selling, general and administrative spending in the second quarter of 2020 reflect a curtailment of certain costs in response to the COVID-19 pandemic, including lower levels of travel and related expenses, as well as surgeon training expenses, as a result of mandated travel restrictions. Further, we reduced non-critical spending and non-critical hiring and we implemented temporary reductions in base salaries for our executive officers and certain other employees, including a 50% reduction for our Chief Executive Officer, 25% reductions for other officers and 15% reductions for certain other employees, as well as a temporary 50% reduction in cash retainers for our Board of Directors. These temporary reductions ended in July 2020 for our executive officers and in June 2020 for our other employees. Our other sustainability measures remain in place.

Despite these decreases, we expect a significant portion of our selling, general and administrative spending to continue as we continue to support our customers and invest in manufacturing and our supply chain to ensure supply for our customers. This anticipated continued spending will likely result in a continued increase in our selling, general and administrative expenses as a percentage of net sales in the third quarter of 2020 compared to the prior year period.

Research and development

Our research and development expenses totaled $14.2 million, or 10.9% of net sales, in the second quarter of 2020 compared to $18.8 million, or 8.2% of net sales, in the second quarter of 2019. Research and development expenses as a percentage of net sales increased 3 percentage points due primarily to investments in our new product pipeline and decreased net sales as a result of the impact of the COVID-19 pandemic.

Amortization of intangible assets

Charges associated with amortization of intangible assets totaled $8.1 million in the second quarter of 2020, compared to $7.9 million in the second quarter of 2019. Based on intangible assets held at June 28, 2020, we expect amortization expense to be between $27 million and $31 million per year for the years 2020 through 2024.

Interest expense, net

Interest expense, net, totaled $21.2 million in the second quarter of 2020 and $20.0 million in the second quarter of 2019. Our interest expense in the second quarter of 2020 related primarily to non-cash interest expense associated with the amortization of the discount on the 2023 Notes and 2021 Notes of $6.2 million and $6.0 million, respectively; amortization of deferred financing charges on our borrowings totaling $1.3 million; and cash interest expense totaling $7.7 million primarily associated with the 2023 Notes, 2021 Notes and borrowings under our ABL Facility and the Term Loan Facility.

Our interest expense, net in the second quarter of 2019 related primarily to non-cash interest expense associated with the amortization of the discount on the 2023 Notes, 2021 Notes and 2020 Notes of $5.9 million, $5.4 million and $0.8 million, respectively: amortization of deferred financing charges on our borrowings totaling $1.3 million; and cash interest expense totaling $7.4 million primarily associated with the 2023 Notes, 2021 Notes, 2020 Notes and borrowings under our ABL Facility and the Term Loan Facility, partially offset by interest income of $0.8 million.

Other (income) expense, net

Other income, net totaled $7.5 million in the second quarter of 2020, compared to $1.8 million of other income, net in the second quarter of 2019. In the second quarter of 2020, other income, net consisted primarily of a $10.1 million gain related to mark-to-market adjustments on derivative assets and liabilities and non-cash foreign currency translation income of $0.7 million, partially offset by a $3.1 million loss related to fair value adjustments to contingent consideration. During the second quarter of 2019, other income, net consisted primarily of a net gain on investments of $3.3 million. This amount was partially offset by non-cash adjustments to contingent consideration fair values.

(Benefit) provision for income taxes

We recorded an immaterial tax benefit from continuing operations in the second quarter of 2020, compared to a tax provision from continuing operations of $3.4 million in the second quarter of 2019. Our tax benefit during the second quarter of 2020 is primarily the result of net earnings in jurisdictions where we do not have a valuation allowance. We are unable to recognize a tax benefit in jurisdictions where we are incurring losses (primarily the U.S.) due to the valuation allowance on our net deferred assets, except to the extent to which we recognize a gain in discontinued operations. During the second quarter of 2019, the tax provision includes a $2.6 million tax provision due to a change in tax rates on income from deferred intercompany transactions and the result of net earnings in jurisdictions where we do not have a valuation allowance.

(Loss) income from discontinued operations, net of tax

(Loss) income from discontinued operations, net of tax, consists primarily of the costs associated with legal defense, income/loss associated with product liability insurance recoveries/denials, and changes to any contingent liabilities associated with the OrthoRecon business that was sold to MicroPort.

Our (loss) income from discontinued operations for the quarter ended June 28, 2020 and June 30, 2019 was $(6.4) million and $1.1 million, respectively. See Note 3 and Note 11 to our condensed consolidated financial statements for further discussion regarding our discontinued operations and our retained contingent liabilities associated with the OrthoRecon business.

Comparison of the six months ended June 28, 2020 to the six months ended June 30, 2019

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts (in thousands) and as percentages of net sales:

	Six months ended			
	June 28, 2020		June 30, 2019	
	Amount	% of net sales	Amount	% of net sales
Net sales	$ 348,495	100.0 %	$ 459,861	100.0 %
Cost of sales [1]	67,638	19.4 %	94,655	20.6 %
Gross profit	280,857	80.6 %	365,206	79.4 %
Operating expenses:				
Selling, general and administrative [1]	272,830	78.3 %	305,418	66.4 %
Research and development [1]	33,778	9.7 %	35,728	7.8 %
Amortization of intangible assets	16,215	4.7 %	15,449	3.4 %
Total operating expenses	322,823	92.6 %	356,595	77.5 %
Operating (loss) income	(41,966)	(12.0)%	8,611	1.9 %
Interest expense, net	41,646	12.0 %	39,690	8.6 %
Other (income) expense, net	(21,169)	(6.1)%	11,064	2.4 %
Loss from continuing operations before income taxes	(62,443)	(17.9)%	(42,143)	(9.2)%
Provision for income taxes	2,127	0.6 %	7,045	1.5 %
Net loss from continuing operations	$ (64,570)	(18.5)%	$ (49,188)	(10.7)%
Loss from discontinued operations, net of tax	(9,729)		(5,225)	
Net loss	$ (74,299)		$ (54,413)	

[1] These line items include the following amounts of non-cash, share-based compensation expense for the periods indicated:

	Six months ended			
	June 28, 2020	% of net sales	June 30, 2019	% of net sales
Cost of sales	$ 477	0.2%	$ 257	0.1%
Selling, general and administrative	13,124	5.1%	13,822	3.0%
Research and development	1,300	0.5%	1,165	0.3%

The following tables set forth our net sales by product line for the U.S. and International for the periods indicated (in thousands) and the percentage of year-over-year change:

	Six months ended		
	June 28, 2020	June 30, 2019	% change
U.S.			
Lower extremities	$ 104,385	$ 138,140	(24.4)%
Upper extremities	136,761	161,873	(15.5)%
Biologics	33,955	46,228	(26.5)%
Sports med & other	2,997	4,072	(26.4)%
Total U.S.	$ 278,098	$ 350,313	(20.6)%
International			
Lower extremities	$ 19,353	$ 32,534	(40.5)%
Upper extremities	40,024	60,619	(34.0)%
Biologics	7,575	10,869	(30.3)%
Sports med & other	3,445	5,526	(37.7)%
Total International	$ 70,397	$ 109,548	(35.7)%
Total net sales	$ 348,495	$ 459,861	(24.2)%

Net sales

U.S. Sales. U.S. net sales totaled $278.1 million in the first six months of 2020, a 20.6% decrease from $350.3 million in the first six months of 2019, due to the impact of the COVID-19 pandemic. U.S. sales represented approximately 79.8% of total net sales in the first six months of 2020, compared to 76.2% of total net sales in the first six months of 2019.

International Sales. International net sales totaled $70.4 million in the first six months of 2020 compared to $109.5 million in the first six months of 2019. This 35.7% decrease was due to the impact of the COVID-19 pandemic and, to a lesser extent, a $1.5 million unfavorable impact from foreign currency exchange rates (a 1 percentage point unfavorable impact to international sales growth rate).

Cost of sales

Our cost of sales as a percentage of net sales decreased slightly to 19.4% in the first six months of 2020 compared to 20.6% in the first six months of 2019. This decrease as a percentage of sales was primarily due to favorable geographic and product mix in the current year period.

Operating expenses

As a percentage of net sales, operating expenses increased to 92.6% in the first six months of 2020 compared to 77.5% in the first six months of 2019. This increase was primarily the result of reduced net sales during the current year period due to the COVID-19 pandemic.

Other (income) expense, net

Other income, net totaled $21.2 million in the first six months of 2020, compared to $11.1 million of other expense, net in the first six months of 2019. In the first six months of 2020, other income, net consisted primarily of a $25.8 million gain related to mark-to-market adjustments on derivative assets and liabilities partially offset by a $3.5 million loss related to fair value adjustments to contingent consideration. During the first six months of 2019, other expense, net consisted primarily of $14.3 million loss on the exchange of debt which was partially offset by a $3.3 million net gain on investments.

Provision for income taxes

We recorded an income tax provision from continuing operations of $2.1 million in the first six months of 2020, compared to a tax provision from continuing operations of $7.0 million in the first six months of 2019. The tax provision for 2019 includes a $5.2 million tax provision due a change in tax rates on income from deferred intercompany transactions.

Loss from discontinued operations, net of tax

Loss from discontinued operations, net of tax, for the first six months of 2020 and 2019 consists primarily of the costs associated with legal defense, income/loss associated with product liability insurance recoveries/denials, and changes to any contingent liabilities associated with the OrthoRecon business that was sold to MicroPort. See Note 3 and Note 11 to our condensed consolidated financial statements for further discussion regarding our discontinued operations and our retained contingent liabilities associated with the OrthoRecon business.

Reportable segments

The following tables set forth, for the periods indicated, net sales and operating income of our reportable segments expressed as dollar amounts (in thousands) and as a percentage of net sales:

	Three months ended June 28, 2020		
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics
Net sales	$ 53,067	$ 51,238	$ 25,650
Operating income (loss)	$ 7,647	$ 15,029	$ (12,787)
Operating income (loss) as a percent of net sales	14.4%	29.3%	(49.9)%

	Three months ended June 30, 2019		
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics
Net sales	$ 91,204	$ 81,342	$ 57,188
Operating income	$ 23,009	$ 28,784	$ 308
Operating income as a percent of net sales	25.2%	35.4%	0.5%

	Six months ended June 28, 2020		
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics
Net sales	$ 139,604	$ 138,494	$ 70,397
Operating income (loss)	$ 27,823	$ 48,897	$ (17,786)
Operating income (loss) as a percent of net sales	19.9%	35.3%	(25.3)%

	Six months ended June 30, 2019		
	U.S. Lower Extremities & Biologics	U.S. Upper Extremities	International Extremities & Biologics
Net sales	$ 186,020	$ 164,293	$ 109,548
Operating income (loss)	$ 51,950	$ 60,232	$ (1,181)
Operating income (loss) as a percent of net sales	27.9%	36.7%	(1.1)%

Net sales of our U.S. lower extremities and biologics segment decreased $38.1 million and $46.4 million for the three and six months ended June 28, 2020, respectively, as compared to the three and six months ended June 30, 2019. Operating income of our U.S. lower extremities and biologics segment decreased $15.4 million and $24.1 million for the three and six months ended June 28, 2020, respectively, compared to the three and six months ended June 30, 2019. These decreases to both net sales and operating income were due to the adverse impact on net sales from the COVID-19 pandemic.

Net sales of our U.S. upper extremities segment decreased $30.1 million and $25.8 million in the three and six months ended June 28, 2020, respectively, compared to the three and six months ended June 30, 2019. Operating income of our U.S. upper extremities segment decreased $13.8 million and $11.3 million in the three and six months ended June 28, 2020, respectively, as compared to the three and six months ended June 30, 2019. These decreases to both net sales and operating income were due to the adverse impact on net sales from the COVID-19 pandemic.

Net sales of our International extremities and biologics segment decreased $31.5 million and $39.2 million in the three and six months ended June 28, 2020, respectively, compared to the three and six months ended June 30, 2019. These decreases were due to the adverse impact of the COVID-19 pandemic and unfavorable impacts from foreign currency exchange rates.

Liquidity and Capital Resources

The following table sets forth, for the periods indicated, certain liquidity measures (in thousands):

	June 28, 2020	December 29, 2019
Cash and cash equivalents	$ 133,651	$ 166,856
Working capital (deficit)[1]	(154,112)	(106,350)

[1] As of June 28, 2020 and December 29, 2019, the closing price of our ordinary shares was greater than 130% of the 2021 Notes conversion price for 20 or more of the 30 consecutive trading days preceding the quarter-end, and, therefore, the holders of the 2021 Notes are able to convert the notes during the succeeding quarterly period. Due to the ability of the holders of the 2021 Notes to convert the notes, the carrying value of the 2021 Notes and the fair value of the 2021 Notes Conversion Derivatives were classified as current liabilities and the fair value of the 2021 Notes Hedges was classified as current assets as of June 28, 2020 and December 29, 2019.

Operating Activities. Cash (used in) provided by operating activities totaled $(10.9) million and $2.1 million in the first six months of 2020 and 2019, respectively. The decrease in cash provided by operating activities in the first six months of 2020 was primarily driven by lower levels of cash profitability due to the impact on net sales from the COVID-19 pandemic, partially offset by lower levels of cash used in discontinued operations.

Investing Activities. Our capital expenditures totaled $39.2 million and $48.0 million in the first six months of 2020 and 2019, respectively. Our capital expenditures consist principally of surgical instrumentation, purchased manufacturing equipment, research and testing equipment, and computer systems. In total, we expect to incur capital expenditures of approximately $70 million in 2020.

Financing Activities. Cash provided by financing activities totaled $20.7 million and $4.4 million in the first six months of 2020 and 2019, respectively.

Cash provided by financing activities in the first six months of 2020 was primarily attributable to $18.2 million of net debt proceeds and $6.4 million in cash received from the issuance of ordinary shares in connection with option exercises.

Cash provided by financing activities in the first six months of 2019 was primarily attributable to $14.0 million in cash received from the issuance of ordinary shares in connection with option exercises. These proceeds were partially offset by $5.7 million of net payments related to the exchange of 2023 Notes for 2020 Notes (as further described below) and the associated issuance of additional 2023 Notes Hedges and warrants, and settlement of pro rata portions of the 2020 Notes Hedges and warrants.

On February 7, 2019, WMG issued $139.6 million of additional 2023 Notes in exchange for $130.1 million aggregate principal amount of 2020 Notes. As this was a debt modification, a pro rata share of the 2020 Notes deferred financing costs and discount was transferred to the 2023 Notes deferred financing costs and discount. Additionally, the 2023 Notes discount was adjusted in order for net debt to remain the same subsequent to the exchange. While the debt modification was a non-cash transaction, we paid approximately $3.2 million of convertible debt modification costs during the first six months of 2019.

Additionally, on January 30, 2019 and January 31, 2019, we, along with WMG, entered into cash-settled convertible note hedge transactions with certain option counterparties. WMG paid approximately $30.1 million in the aggregate to the option counterparties for the note hedge transactions, and received approximately $21.2 million in the aggregate from the option counterparties for the warrants, resulting in a net cost to us of approximately $8.9 million. In connection with the above described exchange, WMG also settled a pro rata share of the 2020 Notes Hedges and warrants corresponding to the amount of 2020 Notes exchanged pursuant to this transaction. We received proceeds of approximately $16.8 million related to the 2020 Notes Hedges and paid $11.0 million related to the 2020 Warrants, generating net proceeds of $5.8 million.

Repatriation. We provide for tax liabilities in our condensed consolidated financial statements with respect to amounts that we expect to repatriate from subsidiaries (to the extent the repatriation would be subject to tax); however, no tax liabilities are recorded for amounts that we consider to be permanently reinvested. Our current plans do not foresee a need to repatriate funds that are designated as permanently reinvested in order to fund our operations or meet currently anticipated liquidity and capital investment needs.

Discontinued Operations. Our cash flows from discontinued operations during the first six months of 2020 and 2019 were attributable primarily to our former OrthoRecon business as described in Note 11. Cash flows used in discontinued operations

totaled $11.3 million and $32.1 million for the six months ended June 28, 2020 and June 30, 2019, respectively. Cash flows from discontinued operations are combined with cash flows from continuing operations in the condensed consolidated statements of cash flows.

We do not expect that the future cash outflows from discontinued operations, including the payment of retained liabilities of the OrthoRecon business, net of insurance recoveries, will have an impact on our ability to meet contractual cash obligations and fund our working capital requirements, operations, and anticipated capital expenditures.

Contractual Cash Obligations. As of June 28, 2020, there were no material changes to our contractual cash obligations and commercial commitments as disclosed in in "*Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Contractual Cash Obligations*" of our Annual Report on Form 10-K for the year ended December 29, 2019.

Other Liquidity Information. We have historically funded our cash needs through various equity and debt issuances, more recently borrowings under our Credit Agreement, and through cash flow from operations.

On December 23, 2016, we, together with WMG and certain of our other wholly-owned U.S. subsidiaries (collectively, Borrowers), entered into a Credit, Security and Guaranty Agreement with MidCap Financial Trust, as administrative agent (Agent) and a lender and the additional lenders from time to time party thereto, which agreement was subsequently amended and restated in May 2018 and subsequently amended thereafter on several occasions, including the May 7, 2020 amendment described in Note 8, which, among other things, suspended certain financial covenants through the end of 2020 (as amended, the Credit Agreement).

The Credit Agreement provides for a $175 million senior secured asset-based line of credit, subject to the satisfaction of a borrowing base requirement (ABL Facility) and a $55 million term loan facility (Term Loan Facility). The ABL Facility may be increased by up to $75 million upon the Borrowers' request, subject to the consent of the Agent and each of the other lenders providing such increase. All borrowings under the ABL Facility are subject to the satisfaction of customary conditions, including the absence of default, the accuracy of representations and warranties in all material respects and the delivery of an updated borrowing base certificate. The initial $20 million term loan tranche was funded at closing in May 2018 and the second $35 million term loan tranche was funded in May 2020. On May 7, 2020, we agreed with MidCap to amend the Credit Agreement to, among other things, suspend the quarterly-tested minimum net revenue and minimum adjusted EBITDA financial covenants through the end of 2020 and add a minimum liquidity covenant that will apply from the date of the amendment through May 15, 2021. See Note 8 to the condensed consolidated financial statements for a description of this amendment.

As of June 28, 2020, we had $61.7 million in borrowings outstanding under the ABL Facility and $113.3 million in unused availability under the ABL Facility. We borrowed $40 million under the ABL Facility during the second quarter of 2020. As of December 29, 2019, we had $20.7 million in borrowings outstanding under the ABL Facility and $154.3 million in unused availability under the ABL Facility.

As of June 28, 2020, our accrual for metal-on-metal claims totaled $37.4 million, of which $30.4 million is included in our condensed consolidated balance sheet within "Accrued expenses and other current liabilities" and $7.0 million is included within "Other liabilities." As of December 29, 2019, our accrual for metal-on-metal claims totaled $40.5 million, of which $33.0 million is included in our condensed consolidated balance sheet within "Accrued expenses and other current liabilities" and $7.5 million is included within "Other liabilities." See Note 11 to our condensed consolidated financial statements for additional discussion regarding the MoM Settlement Agreements and our accrual methodologies for the metal-on-metal hip replacement product liability claims.

Although it is difficult for us to predict our future liquidity requirements, we believe that our cash and cash equivalents of $133.7 million and the $113.3 million in availability under the ABL Facility as of June 28, 2020, will be sufficient for at least the next 12 months to fund the working capital requirements and operations, permit anticipated capital expenditures, pay retained metal-on-metal product and other liabilities of the OrthoRecon business, fund contingent considerations, and meet our other anticipated contractual cash obligations during the next twelve months.

In-process research and development. In connection with the IMASCAP acquisition in 2017, we acquired in-process research and development (IPRD) technology related to a next generation reverse shoulder implant system that had not yet reached technological feasibility as of the acquisition date. This project was assigned a fair value of $5.3 million on the acquisition date.

In connection with our acquisition of Cartiva, Inc. (Cartiva) in 2018, we acquired IPRD technology related to a thumb implant (CMC) that is in development. This project was assigned a fair value of $1.0 million on the acquisition date.

The current IPRD projects we acquired in our IMASCAP and Cartiva acquisitions are as follows:

- The next generation reverse shoulder implant system is a reverse shoulder replacement implant having glenoid or glenoid and humeral implant components. We have an anticipated first clinical use in 2021 and launch in the second half of 2022; however, the risks and uncertainties associated with completion are dependent upon testing validations and FDA and CE mark clearance. We have incurred expenses of less than $0.1 million in the six months ended June 28, 2020. Project cost to complete is estimated to be less than $2 million.
- The CMC thumb implant is an arthroplasty device designed to resurface the CMC joint for the treatment of osteoarthritis. We anticipate the launch of the CMC thumb implant no earlier than 2021; however, the risks and uncertainties associated with completion are dependent upon testing validations and FDA premarket approval. We have incurred expenses of approximately $0.2 million in the six months ended June 28, 2020. Project cost to complete is estimated to be less than $3 million.

Critical Accounting Policies and Estimates

Information on judgments related to our most critical accounting policies and estimates is discussed in "*Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates*" of our Annual Report on Form 10-K for the year ended December 29, 2019 filed with the SEC on February 24, 2020. Certain of our more critical accounting estimates require the application of significant judgment by management in selecting the appropriate assumptions in determining the estimate. By their nature, these judgments are subject to an inherent degree of uncertainty. We develop these judgments based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers, and information available from other outside sources, as appropriate. Actual results may differ from these judgments under different assumptions or conditions. Different, reasonable estimates could have been used for the current period. Additionally, changes in accounting estimates are reasonably likely to occur from period to period. Both of these factors could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

There have been no material changes to our critical accounting policies and estimates discussed in "*Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates*" of our Annual Report on Form 10-K for the year ended December 29, 2019.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is included in Note 2 to our condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

Our exposure to interest rate risk arises principally from variable interest rates applicable to borrowings under our Credit Agreement and the interest rates associated with our invested cash balances.

Borrowings under our Credit Agreement, including our ABL Facility and Term Loan Facility, bear interest at variable rates. The interest rate margin applicable to borrowings under the ABL Facility is, at the option of the Borrowers, equal to either (a) 3.25% for base rate loans or (b) 4.25% for LIBOR rate loans, subject to a 0.75% LIBOR floor. The interest rate applicable to borrowings under the Term Loan Facility is equal to one-month LIBOR plus 7.85%, subject to a 1.00% LIBOR floor. As of June 28, 2020, we had $61.7 million of borrowings under our ABL Facility and $55.0 million principal outstanding under our Term Loan Facility. Based upon this debt level, and the LIBOR floor on our interest rate, a 100 basis point increase in the annual interest rate on such borrowings would have an immaterial impact on our interest expense on an annual basis.

On June 28, 2020, we had invested cash and cash equivalents of approximately $133.7 million. We believe that a 10 basis point change in interest rates is reasonably possible in the near term. Based on our current level of investment, an increase or decrease of 10 basis points in interest rates would have an annual impact of approximately $0.1 million to our interest income.

As of June 28, 2020, we had outstanding an aggregate of $395.0 million and $814.6 million, principal amount of our 2021 Notes and 2023 Notes, respectively. We carry these instruments at face value less unamortized discount and unamortized debt issuance costs on our condensed consolidated balance sheets. Since these instruments bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. However, the fair value of the 2021 Notes and 2023 Notes fluctuates when interest rates change and when the market price of our ordinary shares fluctuates. We do not carry the 2021 Notes or 2023 Notes at fair value, but present the fair value of the principal amount of our 2021 Notes and 2023 Notes for disclosure purposes.

Equity Price Risk

On June 28, 2018, we issued $675.0 million aggregate principal amount of the 2023 Notes. Additional 2023 Notes were issued in exchange for a portion of 2020 Notes in February 2019. As of June 28, 2020, $814.6 million aggregate principal amount was

outstanding on the 2023 Notes. The holders of the 2023 Notes may convert their 2023 Notes into cash upon the satisfaction of certain circumstances as described in Note 8. The conversion and settlement provisions of the 2023 Notes are based on the price of our ordinary shares at conversion or at maturity of the notes. In addition, the hedges and warrants associated with these convertible notes also include settlement provisions that are based on the price of our ordinary shares. The amount of cash we may be required to pay, or the number of shares we may be required to provide to note holders at conversion or maturity of these notes, is determined by the price of our ordinary shares. The amount of cash that we may receive from hedge counterparties in connection with the related hedges and the number of shares that we may be required to provide warrant counterparties in connection with the related warrants are also determined by the price of our ordinary shares.

Upon the expiration of our warrants issued in connection with the 2023 Notes, we will issue ordinary shares to the purchasers of the warrants to the extent the price of our ordinary shares exceeds the warrant strike price of $40.86 at that time. The following table shows the number of shares that we would issue to warrant counterparties at expiration of the warrants based on the warrants outstanding as of June 28, 2020 assuming various closing prices of our ordinary shares on the date of warrant expiration:

Share price		Shares (in thousands)
$44.95	(10% greater than strike price)	2,219
$49.03	(20% greater than strike price)	4,068
$53.12	(30% greater than strike price)	5,633
$57.20	(40% greater than strike price)	6,974
$61.29	(50% greater than strike price)	8,137

The fair value of the 2023 Notes Conversion Derivative and the 2023 Notes Hedge is directly impacted by the price of our ordinary shares. We entered into the 2023 Notes Hedges in connection with the issuance of the 2023 Notes with the option counterparties. The 2023 Notes Hedges, which are cash-settled, are intended to reduce our exposure to potential cash payments we are required to make upon conversion of the 2023 Notes in excess of the principal amount of converted notes if our ordinary share price exceeds the conversion price. The following table presents the fair values of the 2023 Notes Conversion Derivative and 2023 Notes Hedge as a result of a hypothetical 10% increase and decrease in the price of our ordinary shares. We believe that a 10% change in our share price is reasonably possible in the near term:

(in thousands)

	Fair value of security given a 10% decrease in share price	Fair value of security as of June 28, 2020	Fair value of security given a 10% increase in share price
2023 Notes Hedges (Asset)	$36,437	$62,307	$96,175
2023 Notes Conversion Derivative (Liability)	$14,614	$38,981	$76,404

On May 20, 2016, we issued $395 million aggregate principal amount of the 2021 Notes. The holders of the 2021 Notes may convert their 2021 Notes into cash upon the satisfaction of certain circumstances as described in Note 8. At June 28, 2020, the closing price of our ordinary shares was greater than 130% of the 2021 Notes conversion price for 20 or more of the 30 consecutive trading days preceding the quarter-end; and, therefore, the holders of the 2021 Notes may convert the notes during the succeeding calendar quarter period. Due to the ability of the holders of the 2021 Notes to convert the notes during this period, the carrying value of the 2021 Notes and the fair value of the 2021 Notes Conversion Derivative were classified as current liabilities, and the fair value of the 2021 Notes Hedges was classified as current assets as of June 28, 2020. We currently do not expect significant conversions because the 2021 Notes currently trade at a premium to the as-converted value, and a converting holder would forego future interest payments. However, any conversions would reduce our cash resources.

The conversion and settlement provisions of the 2021 Notes are based on the price of our ordinary shares at conversion or at maturity of the notes. In addition, the hedges and warrants associated with these convertible notes also include settlement provisions that are based on the price of our ordinary shares. The amount of cash we may be required to pay, or the number of shares we may be required to provide to note holders at conversion or maturity of these notes, is determined by the price of our ordinary shares. The amount of cash that we may receive from hedge counterparties in connection with the related hedges and the number of shares that we may be required to provide warrant counterparties in connection with the related warrants are also determined by the price of our ordinary shares.

Upon the expiration of our warrants issued in connection with the 2021 Notes, we will issue ordinary shares to the purchasers of the warrants to the extent the price of our ordinary shares exceeds the warrant strike price of $30.00 at that time. The following table shows the number of shares that we would issue to warrant counterparties at expiration of the warrants based on the warrants outstanding as of June 28, 2020 assuming various closing prices of our ordinary shares on the date of warrant expiration:

Share price		Shares (in thousands)
$33.00	(10% greater than strike price)	1,681
$36.00	(20% greater than strike price)	3,082
$39.00	(30% greater than strike price)	4,268
$42.00	(40% greater than strike price)	5,284
$45.00	(50% greater than strike price)	6,164

The fair value of the 2021 Notes Conversion Derivative and the 2021 Notes Hedge is directly impacted by the price of our ordinary shares. We entered into the 2021 Notes Hedges in connection with the issuance of the 2021 Notes with the option counterparties. The 2021 Notes Hedges, which are cash-settled, are intended to reduce our exposure to potential cash payments we are required to make upon conversion of the 2021 Notes in excess of the principal amount of converted notes if our ordinary share price exceeds the conversion price. The following table presents the fair values of the 2021 Notes Conversion Derivative and 2021 Notes Hedge as a result of a hypothetical 10% increase and decrease in the price of our ordinary shares. We believe that a 10% change in our share price is reasonably possible in the near term:

(in thousands)

	Fair value of security given a 10% decrease in share price	Fair value of security as of June 28, 2020	Fair value of security given a 10% increase in share price
2021 Notes Hedges (Asset)	$140,270	$182,436	$227,519
2021 Notes Conversion Derivative (Liability)	$120,510	$168,258	$218,841

Foreign Currency Exchange Rate Fluctuations

Fluctuations in the rate of exchange between the U.S. dollar and foreign currencies have in the past and could continue to adversely affect our financial results. During the three and six months ended June 28, 2020, approximately 17% and 18%, respectively, of our net sales from continuing operations were denominated in foreign currencies, and we expect that foreign currencies will continue to represent a similarly significant percentage of our net sales in the future. The cost of sales related to these sales is primarily denominated in U.S. dollars; however, operating costs related to these sales are largely denominated in the same respective currencies, thereby partially limiting our transaction risk exposure. For sales not denominated in U.S. dollars, an increase in the rate at which a foreign currency is exchanged for U.S. dollars will require more of the foreign currency to equal a specified amount of U.S. dollars than before the rate increase. In such cases, if we price our products in the foreign currency, we will receive less in U.S. dollars than we did before the rate increase went into effect. If we price our products in U.S. dollars and our competitors price their products in local currency, an increase in the relative strength of the U.S. dollar could result in our prices not being competitive in a market where business is transacted in the local currency.

For the three and six months ended June 28, 2020, approximately 85% and 89%, respectively, of our net sales denominated in foreign currencies were derived from European Union countries, which are denominated in the euro; from the United Kingdom, which are denominated in the British pound; from Australia which are denominated in the Australian dollar; and from Canada, which are denominated in the Canadian dollar. Additionally, we have significant intercompany receivables, payables, and debt from our foreign subsidiaries that are denominated in foreign currencies, principally the euro, the Japanese yen, the British pound, the Australian dollar, and the Canadian dollar. Our principal exchange rate risk, therefore, exists between the U.S. dollar and the euro, the Japanese yen, the British pound, the Australian dollar, and the Canadian dollar. Fluctuations from the beginning to the end of any given reporting period result in the revaluation of our foreign currency-denominated intercompany receivables, payables, and debt generating currency translation gains or losses that impact our non-operating income and expense levels in the respective period.

A uniform 10% strengthening in the value of the U.S. dollar relative to the currencies in which our transactions are denominated would have resulted in an increase in operating income of approximately $4.9 million and $5.1 million for the three and six months ended June 28, 2020, respectively. This hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. This sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices, which can also be affected by the change in exchange rates.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Our disclosure controls and procedures are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our principal executive officer and principal financial officer by others within our organization. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 28, 2020 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 28, 2020.

Changes in Internal Control Over Financial Reporting

Despite most employees working remotely due to the COVID-19 pandemic, there were no changes in our internal control over financial reporting during the fiscal quarter ended June 28, 2020 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we or our subsidiaries are subject to various pending or threatened legal actions and proceedings, including those that arise in the ordinary course of our business and some of which involve claims for damages that are substantial in amount. These actions and proceedings may relate to, among other things, product liability, intellectual property, distributor, commercial, and other matters. These actions and proceedings could result in losses, including damages, fines, or penalties, any of which could be substantial, as well as criminal charges. Although such matters are inherently unpredictable, and negative outcomes or verdicts can occur, we believe we have significant defenses in all of them, are vigorously defending all of them, and do not believe any of them will have a material adverse effect on our financial position. However, we could incur judgments, pay settlements, or revise our expectations regarding the outcome of any matter. Such developments, if any, could have a material adverse effect on our results of operations in the period in which applicable amounts are accrued, or on our cash flows in the period in which amounts are paid.

The actions and proceedings described in this section relate primarily to WMT, an indirect subsidiary of Wright Medical Group N.V., and are not necessarily applicable to Wright Medical Group N.V. or other affiliated entities. Maintaining separate legal entities within our corporate structure is intended to ring-fence liabilities. We believe our ring-fenced structure should preclude corporate veil-piercing efforts against entities whose assets are not associated with particular claims.

Patent Litigation

On March 23, 2018, WMT filed suit against Paragon 28, Inc. (Paragon 28) in the United States District Court for the District of Colorado, alleging infringement of ten patents concerning orthopaedic plates, plating systems and instruments, and related methods of use. Our complaint seeks damages, injunctive relief and attorneys' fees. On June 4, 2018, Paragon 28 filed an amended answer and counterclaim seeking declaratory judgment of non-infringement and invalidity of the patent-in-suit, and attorneys' fees. On September 28, 2018, WMT filed an amended complaint adding claims against Paragon 28 for misappropriation of trade secrets and related wrongdoing. Paragon 28 filed a motion to dismiss those trade secret-related claims, which WMT opposed. On September 30, 2019, the Court issued an order granting in part and denying in part the motion to dismiss, leaving intact the majority of the trade secret-related claims. A motion for clarification of the order remains pending. In March 2019, Paragon 28 filed four petitions with the Patent Trial and Appeal Board seeking Inter Partes Reviews of the patents in question, which WMT opposed. On September 25, 2019 and October 4, 2019, the Patent Trial and Appeal Board granted Paragon 28's petitions. Oral arguments were heard on June 18, 2020, and we expect the Patent Trial and Appeal Board to render a substantive decision on the merits of the petitions in October 2020.

On April 24, 2020, ConforMIS, Inc. filed suit against WMT and Tornier, Inc. in the United States District Court for the District of Delaware, Case No. 1:20-cv-00562-LPS, alleging that the patient specific instrumentation (PSI) Wright makes available for use in certain shoulder arthroplasty procedures infringes its asserted patents. The suit alleges that shoulder implants and related products, when used together with PSI, also infringe the asserted patents. The suit seeks, among other things, a permanent injunction, statutory damages and treble damages for willful infringement. We dispute these allegations and intend to defend the suit vigorously.

Product Liability

We have been named as a defendant, in some cases with multiple other defendants, in lawsuits in which it is alleged that as yet unspecified defects in the design, manufacture, or labeling of certain metal-on-metal hip replacement products rendered the products defective. The lawsuits generally employ similar allegations that use of the products resulted in excessive metal ions and particulate in the patients into whom the devices were implanted, in most cases resulting in revision surgery (collectively, the CONSERVE® Claims) and generally seek monetary damages. We anticipate that additional lawsuits relating to metal-on-metal hip replacement products may be brought.

Because of the similar nature of the allegations made by several plaintiffs whose cases were pending in federal courts, upon motion of one plaintiff, Danny L. James, Sr., the United States Judicial Panel on Multidistrict Litigation on February 8, 2012 transferred certain actions pending in the federal court system related to metal-on-metal hip replacement products to the United States District Court for the Northern District of Georgia, for consolidated pre-trial management of the cases before a single United States District Court Judge (the MDL). The consolidated matter is known as *In re: Wright Medical Technology, Inc. Conserve Hip Implant Products Liability Litigation*.

Certain plaintiffs have elected to file their lawsuits in state courts in California. In doing so, most of those plaintiffs have named a surgeon involved in the design of the allegedly defective products as a defendant in the actions, along with his personal corporation. Pursuant to contractual obligations, we have agreed to indemnify and defend the surgeon in those actions. Similar to the MDL proceeding in federal court, because the lawsuits generally employ similar allegations, certain of those pending lawsuits in California were consolidated for pre-trial handling on May 14, 2012 pursuant to procedures of California State Judicial Counsel Coordinated Proceedings (the JCCP). The consolidated matter is known as *In re: Wright Hip Systems Cases, Judicial Counsel Coordination*

Proceeding No. 4710. Pursuant to previously disclosed settlement agreements with the Court-appointed attorneys representing plaintiffs in the MDL and JCCP described below (the MoM Settlement Agreements), the MDL and JCCP were closed to new cases effective October 18, 2017 and October 31, 2017, respectively.

Every hip implant case, including metal-on-metal hip cases, involves fundamental issues of law, science and medicine that often are uncertain, that continue to evolve, and which present contested facts and issues that can differ significantly from case to case. Such contested facts and issues include medical causation, individual patient characteristics, surgery specific factors, statutes of limitation, and the existence of actual, provable injury. We believe we have data that supports the efficacy and safety of these hip products.

Excluding claims resolved in the MoM Settlement Agreements, as of June 28, 2020, there were approximately 235 unresolved metal-on-metal hip cases pending in the U.S. This number includes cases ineligible for settlement under the MoM Settlement Agreements, cases which opted out of such settlements, post-settlement cases, tolled cases, and existing state court cases that were not part of the MDL or JCCP. As of June 28, 2020, we estimate there also were pending approximately 28 unresolved non-U.S. metal-on metal hip cases, 59 unresolved U.S. modular neck cases alleging claims related to the release of metal ions, and zero non-U.S. modular neck cases with metal ion allegations. We also estimate that as of June 28, 2020, there were approximately 509 non-revision claims either dismissed or awaiting dismissal from the MDL and JCCP, which dismissal is a condition of the MoM Settlement Agreements. Although there is a limited time period during which dismissed non-revision claims may be refiled, it is presently unclear how many non-revision claimants will elect to do so. As of June 28, 2020, no dismissed non-revision cases have been refiled.

As previously disclosed, between November 2016 and October 2017, WMT entered into three MoM Settlement Agreements with Court-appointed attorneys representing plaintiffs in the MDL and JCCP to settle a total of 1,974 cases that met the eligibility requirements of the MoM Settlement Agreements and were either pending in the MDL or JCCP, or subject to court-approved tolling agreements in the MDL or JCCP, for an aggregate sum of $339.2 million. See Note 11 to our condensed consolidated financial statements for additional information regarding the MoM Settlement Agreements.

We have received claims for personal injury against us associated with fractures of the PROFEMUR® titanium modular neck product (Titanium Modular Neck Claims). As of June 28, 2020, there were approximately 32 unresolved pending U.S. lawsuits and approximately five unresolved pending non-U.S. lawsuits alleging such claims. These lawsuits generally seek monetary damages.

We are aware that MicroPort has recalled a certain size of its cobalt chrome modular neck product as a result of alleged fractures. As of June 28, 2020, there were eleven pending U.S. lawsuits and five pending non-U.S. lawsuits against us alleging personal injury resulting from the fracture of a cobalt chrome modular neck. These lawsuits generally seek monetary damages.

On May 18, 2020, certain plaintiffs' counsel filed a motion to coordinate (Motion to Transfer) pre-trial management of 42 cases involving both titanium and cobalt chrome PROFEMUR® modular necks in a multidistrict litigation. Plaintiffs request that the cases be coordinated before a judge in the United States District Court for the Eastern District of Arkansas. We have opposed the Motion to Transfer and a hearing on the Motion to Transfer is scheduled for July 30, 2020.

Insurance Litigation

We have maintained product liability insurance coverage on a claims-made basis. During the fiscal quarter ended September 30, 2012, we received a customary reservation of rights from Federal, our then primary product liability insurance carrier, asserting that certain present and future claims which allege certain types of injury related to the CONSERVE® Claims would be covered as a single occurrence under the policy year the first such claim was asserted. The effect of this coverage position would have been to place CONSERVE® Claims into a single prior policy year in which applicable claims-made coverage was available, subject to the overall policy limits then in effect. We notified Federal that we disputed its characterization of the CONSERVE® Claims as a single occurrence, which resulted in multi-year insurance coverage litigation (the Tennessee Coverage Litigation) that has recently been resolved as discussed below.

As previously disclosed, we entered into confidential settlement agreements with all seven insurance carriers with whom metal on metal hip coverage was in dispute - Columbia Casualty Company, Travelers, AXIS Surplus Lines Insurance Company, Federal, Catlin Specialty Insurance Company, Catlin Underwriting Agencies Limited for and on behalf of Syndicate 2003 at Lloyd's of London and Lexington Insurance Company (Lexington), thus resolving in full the Tennessee Coverage Litigation and the separate litigation and arbitration proceedings with Lexington.

Stryker Acquisition Related Litigation

On January 15, 2020, John Thompson, a purported shareholder of the Company, filed a putative class action lawsuit against us, members of our board of directors, Stryker B.V., and Stryker Corporation in the United States District Court for the District of Delaware. The lawsuit is captioned *Thompson v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-00061 (the Thompson Action). The complaint filed in the Thompson Action alleges that we and the members of our board of directors violated federal

securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Thompson Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Thompson Action alleges that members of our board of directors and Stryker acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Thompson Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; an order directing our board of directors to file a Schedule 14D-9 that does not contain any untrue statements of material fact and that states all material facts required or necessary to make the statements contained therein not misleading; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On January 31, 2020, William Grubb, a purported shareholder of the Company, filed a lawsuit against us and members of our board of directors in the United States District Court for the Eastern District of New York. The lawsuit is captioned *Grubb v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-00553 (the Grubb Action). The complaint filed in the Grubb Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Grubb Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Grubb Action alleges that members of our board of directors acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Grubb Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On April 9, 2020, Gracie Woodward, a purported shareholder of the Company, filed a lawsuit against us and members of our board of directors in the United States District Court for the District of Delaware. The lawsuit is captioned *Woodward v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-494 (the Woodward Action). The complaint filed in the Woodward Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Woodward Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Woodward Action alleges that members of our board of directors acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Woodward Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On April 15, 2020, Marcy Curtis, a purported shareholder of the Company, filed a putative class action lawsuit against us, members of our board of directors, Stryker B.V., and Stryker Corporation in the United States District Court for the District of Delaware. That suit is captioned *Curtis v. Wright Medical Group N.V.*, et al., Case No. 1:20-cv-00509 (the Curtis Action). The complaint filed in the Curtis Action alleges that we and the members of our board of directors violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Curtis Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Curtis Action alleges that members of our board of directors and Stryker acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Curtis Action seeks, among other things, an order enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; an order directing our board of directors to file a Schedule 14D-9 that does not contain any untrue statements of material fact and that states all material facts required or necessary to make the statements contained therein not misleading; a declaration that the defendants violated certain federal securities laws and regulations; and an award of plaintiff's costs, including attorneys' fees and expenses.

On April 28, 2020, Shiva Stein, a purported shareholder of the Company, filed a lawsuit against us, members of our board of directors, Stryker B.V., and Stryker Corporation in the United States District Court for the District of Delaware. That suit is captioned *Stein v. Wright Medical Group N.V., et al.*, Case No. 1:20-cv-00582 (the "Stein Action"). The complaint filed in the Stein Action alleges that we, the members of our board of directors, and the Stryker defendants violated federal securities laws and regulations by failing to disclose material information in the Schedule 14D-9 filed in connection with the transactions contemplated by the Stryker purchase agreement, which the plaintiff in the Stein Action alleges rendered the Schedule 14D-9 false and misleading. In addition, the plaintiff in the Stein Action alleges that members of our board of directors acted as controlling persons of the company within the meaning of and in violation of Section 20(a) of the Exchange Act to influence and control the dissemination of the allegedly defective Schedule 14D-9. The plaintiff in the Stein Action seeks, among other things, an order

enjoining consummation of the transactions contemplated by the Stryker purchase agreement; rescission of such transactions if they have already been consummated and rescissory damages; and an award of plaintiff's costs, including attorneys' fees and expenses.

Other

In addition to those noted above, we are subject to various other legal proceedings, product liability claims, corporate governance, and other matters which arise in the ordinary course of business.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors that were discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 29, 2019, as filed with the SEC on February 24, 2020, other than the new or updated risk factors below.

Public health crises, such as the coronavirus, impact our business.

In late 2019, a novel strain of coronavirus emerged, and, on March 11, 2020, the World Health Organization declared a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, U.S. President Trump announced a National Emergency relating to the pandemic. Leaders in many other countries have taken comparable steps. Government authorities throughout the world have imposed various social distancing, quarantine, and isolation measures on large portions of populations. These have included, in many jurisdictions, mandated delays in elective surgeries. Both the outbreak and the containment and mitigation measures impact the economy, the severity and duration of which are uncertain. Government stabilization efforts will only partially mitigate the consequences. Factors that will influence the impact on our operations include the extent and duration of the outbreak, the extent of containment and mitigation measures, and the general economic consequences of the pandemic on medical technology companies.

The proposed acquisition of Wright by Stryker is subject to a number of conditions beyond our control. Failure to complete the proposed acquisition within the expected time frame, or at all, could have a material adverse effect on our business, operating results, financial condition and our share price.

On November 4, 2019, we entered into a Purchase Agreement (the Purchase Agreement) with Stryker and Stryker's subsidiary, Stryker B.V., related to the proposed acquisition of Wright by Stryker (the Acquisition). Pursuant to the Purchase Agreement, and upon the terms and subject to the conditions thereof, Stryker B.V. has commenced a tender offer (the Offer) to purchase all of our outstanding ordinary shares. If certain conditions are satisfied or waived to the extent they can be waived and the Offer closes, Stryker may acquire any Wright shares that were not tendered in the Offer through a reorganization of the Company. The obligation of Stryker and Stryker B.V. to consummate the Offer is subject to the condition that there be validly tendered and not withdrawn prior to the expiration of the Offer a number of ordinary shares representing at least 95% of the ordinary shares outstanding as of the scheduled expiration of the Offer (such condition, the Minimum Condition). Because Wright's shareholders have adopted certain resolutions related to the reorganization of the Company at an extraordinary general meeting of shareholders, the Minimum Condition has been reduced to 80%. The Minimum Condition may not be waived by Stryker without the prior written consent of Wright. The obligation of Stryker B.V. to consummate the Offer is also subject to the expiration of the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (HSR Act), and the receipt of other required approvals and clearances under applicable antitrust laws outside the U.S., and other customary conditions. We currently expect the Acquisition to close during the second half of 2020, but no assurance can be provided that it will close within this time frame, or at all.

We cannot predict whether and when the conditions to the Offer will be satisfied. If one or more of these conditions is not satisfied, and as a result, we do not complete the proposed Acquisition, we would remain liable for significant transaction costs, and the focus of our management would have been diverted from seeking other potential strategic opportunities, in each case without realizing any benefits of the proposed Acquisition. Certain costs associated with the proposed Acquisition have already been incurred or may be payable even if the proposed Acquisition is not consummated. Finally, any disruptions to our business resulting from the announcement and pendency of the proposed Acquisition, including any adverse changes in our relationships with our customers, partners, suppliers and employees, could continue or accelerate in the event that we fail to consummate the proposed Acquisition.

Our share price may also fluctuate significantly based on announcements by Stryker and other third parties or us regarding the Acquisition or based on market perceptions of the likelihood of the satisfaction of the conditions to the consummation of the Acquisition. Such announcements may lead to perceptions in the market that the Acquisition may not be completed, which could cause our share price to fluctuate or decline. If we do not consummate the Acquisition, the price of our ordinary shares may decline significantly from the current market price, which may reflect a market assessment of the probability that the proposed Acquisition will be consummated. Any of these events could have a material adverse effect on our business, operating results and financial condition and could cause a decline in the price of our ordinary shares.

The Purchase Agreement does not provide that the Offer consideration payable to holders of our ordinary shares will be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or results of operations, or in the event of any change in our share price.

The Purchase Agreement does not provide that the Offer consideration payable to holders of our ordinary shares will be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or results of operations, or changes in the market price of, analyst estimates of, or projections relating to, our ordinary shares. For example, if we experienced an improvement in our business, assets, liabilities, prospects, outlook, financial condition or results of operations prior to the consummation of the proposed Acquisition, there would be no increase in the amount of the proposed Offer consideration.

The Purchase Agreement contains provisions that could discourage a potential competing acquirer.

Under the terms of the Purchase Agreement, we have agreed not to solicit or initiate discussions with third parties regarding other proposals to acquire Wright and are subject to restrictions on our ability to respond to any such proposal, except as permitted under the terms of the Purchase Agreement. In the event that we receive an acquisition proposal from a third party, we must notify Stryker of such proposal and negotiate in good faith with Stryker prior to terminating the Purchase Agreement or effecting a change in the recommendation of our Board of Directors to our shareholders with respect to the proposed Acquisition. The Purchase Agreement also contains certain termination rights for both Stryker and us and further provides that, upon termination of the Purchase Agreement under specified circumstances, including certain terminations in connection with an alternative business combination transaction as permitted by the terms of the Purchase Agreement, we will be required to pay Stryker a termination fee of $150 million.

These provisions could discourage a potential third-party acquirer that might have an interest in acquiring all or a significant portion of us from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the Offer consideration contemplated by the Purchase Agreement. These provisions also might result in a potential third-party acquirer proposing to pay a lower price to our shareholders than it might otherwise have proposed to pay due to the added expense of the $150 million termination fee that may become payable in certain circumstances.

If the Purchase Agreement is terminated, and we determine to seek another business combination, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the proposed Acquisition.

Shareholder litigation could prevent or delay the closing of the proposed Acquisition or otherwise negatively impact our business, operating results and financial condition.

We may incur additional costs in connection with the defense or settlement of existing and any future shareholder litigation in connection with the proposed Acquisition, including five shareholder lawsuits to date that have been brought against us in connection with the Acquisition. See Legal Proceedings for additional information regarding these lawsuits. These lawsuits or other future litigation may adversely affect our ability to complete the proposed Acquisition. We could incur significant costs in connection with any such litigation lawsuits, including costs associated with the indemnification of obligations to our directors.

Furthermore, one of the conditions to the closing of the proposed Acquisition is the absence of any governmental order or law preventing the Acquisition or making the consummation of the proposed Acquisition illegal. Consequently, if a plaintiff were to secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting our ability to complete the proposed Acquisition, then such injunctive or other relief may prevent the proposed Acquisition from becoming effective within the expected time frame or at all.

We may be unable to obtain the regulatory approvals required to complete the proposed Acquisition.

One of the conditions to consummation of the proposed Acquisition is receipt of certain regulatory approvals, including the expiration or termination of the applicable waiting periods (and any extension thereof) under the HSR Act and antitrust notification and approvals in certain European and other jurisdictions. On December 31, 2019, Wright and Stryker each received a request for additional information and documentary materials with respect to the Offer (a Second Request) from the U.S. Federal Trade Commission. As a result of the Second Requests, the waiting period under the HSR Act applicable to the Offer has been extended until 11:59 p.m., Eastern Time, on the 10th calendar day following the date on which Stryker substantially complies with the Second Request, unless such waiting period is earlier terminated. Thereafter, the waiting period may be extended only by court order or with Stryker’s consent. There can be no assurance that such regulatory approvals, or any other regulatory approvals that might be required to consummate the proposed Acquisition, will be obtained. If such regulatory approvals are obtained, there can be no assurance as to the timing of such approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals.

At any time before or after the consummation of the proposed Acquisition (and notwithstanding the termination of the waiting period under the HSR Act), the U.S. Department of Justice, Federal Trade Commission or any state or non-U.S. governmental entity could take such action, under antitrust laws or otherwise, as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the proposed Acquisition or seeking the divestiture of substantial

assets. Private parties may also seek to take legal action under antitrust laws under certain circumstances. If the proposed Acquisition does not receive, or timely receive, the required regulatory approvals and clearances, or if another event occurs delaying or preventing the proposed Acquisition, such delay or failure to complete the proposed Acquisition may create uncertainty or otherwise have negative consequences that may materially and adversely affect our financial condition and results of operations, as well as the price per share for our ordinary shares.

While the proposed Acquisition is pending, we are subject to business uncertainties and contractual restrictions that could disrupt our business, and the proposed Acquisition may impair our ability to attract and retain qualified employees or retain and maintain relationships with our customers, suppliers and other business partners.

Whether or not the proposed Acquisition is consummated, the proposed Acquisition may disrupt our current plans and operations, which could have an adverse effect on our business and financial results. The pendency of the Acquisition may also divert management's attention and our resources from ongoing business and operations and our employees and other key personnel may have uncertainties about the effect of the proposed Acquisition, and the uncertainties may impact our ability to retain, recruit and hire key personnel while the proposed Acquisition is pending or if it fails to close. Furthermore, if key personnel depart because of such uncertainties, or because they do not wish to remain with the combined company after closing, our business and results of operations may be adversely affected. In addition, we cannot predict how our suppliers, customers and other business partners will view or react to the proposed Acquisition upon consummation. If we are unable to reassure our customers, suppliers and other business partners to continue transacting business with us, our sales, financial condition and results of operations may be adversely affected.

In addition, the Purchase Agreement, absent Stryker's consent, generally requires that we operate in the ordinary course of business consistent with past practice, pending consummation of the Acquisition, and restricts us from taking certain actions with respect to our business and financial affairs without Stryker's consent. Such restrictions will be in place until either the Acquisition is consummated or the Purchase Agreement is terminated. These restrictions could restrict our ability to, or prevent us from, pursuing attractive business opportunities (if any) that arise prior to the consummation of the Acquisition. These restrictions also impose contractual constraints on our flexibility in responding to unanticipated events, like the COVID-19 pandemic. For these and other reasons, the pendency of the Acquisition could adversely affect our business, operating results and financial condition.

We have incurred, and will continue to incur, direct and indirect costs as a result of the proposed Acquisition.

We have incurred, and will continue to incur, significant costs and expenses, including fees for professional services and other transaction costs, in connection with the Acquisition, including costs that we may not currently expect. We must pay many of these costs and expenses whether or not the transaction is completed. If the Purchase Agreement is terminated under specified circumstances, we would be required to pay to Stryker a termination fee equal to $150 million. There are a number of factors beyond our control that could affect the total amount or the timing of these costs and expenses.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

The temporary salary reductions implemented on April 23, 2020 ended in July 2020 for our executive officers and June 2020 for our other employees.

ITEM 6. EXHIBITS.

(a) Exhibits.

The following exhibits are being filed or furnished with this Quarterly Report on Form 10-Q:

Exhibit No.	Exhibit	Method of Filing
2.1	Purchase Agreement, dated November 4, 2019, among Wright Medical Group N.V., Stryker Corporation and Stryker B.V.*	Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 4, 2019 (File No. 001-35065)

Exhibit No.	Exhibit	Method of Filing
3.1	Articles of Association of Wright Medical Group N.V.	Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on July 1, 2016 (File No. 001-35065)
3.2	Amendment of the Articles of Association, dated April 24, 2020, of Wright Medical Group N.V.	Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 27, 2020 (File No. 001-35065)
10.1	Amendment No. 4 to Amended and Restated Credit, Security and Guaranty Agreement dated as of May 7, 2020 among Wright Medical Group N.V. (as Guarantor), Wright Medical Group, Inc. (as Borrower), Certain Other Direct and Indirect Subsidiaries Listed on the Signature Pages Thereto (each as Borrower), Midcap Funding IV Trust (as Lender and Agent) and the Financial Institutions or other Entities Parties Thereto	Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2020 (File No. 001-35065)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following materials from Wright Medical Group N.V.'s Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 28, 2020 and December 29, 2019, (ii) the Consolidated Statements of Operations for the three and six months ended June 28, 2020 and June 30, 2019, (iii) the Consolidated Statements of Comprehensive Loss for the three and six months ended June 28, 2020 and June 30, 2019, (iv) the Consolidated Statements of Cash Flows for the six months ended June 28, 2020 and June 30, 2019, (v) the Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended June 28, 2020 and June 30, 2019, and (vi) Notes to Consolidated Financial Statements (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.)	Filed herewith
104	The cover page from Wright Medical Group N.V.'s Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2020 is formatted in iXBRL (Inline eXtensible Business Reporting Language)	Included in Exhibit 101

* The schedules to the Purchase Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to supplementally furnish copies of any such schedules to the U.S. Securities and Exchange Commission upon request.

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.

July 28, 2020

WRIGHT MEDICAL GROUP N.V.

By: /s/ Robert J. Palmisano
Robert J. Palmisano
President and Chief Executive Officer
(principal executive officer)

By: /s/ Lance A. Berry
Lance A. Berry
Executive Vice President, Chief Financial and Operations Officer
(principal financial officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934

I, Robert J. Palmisano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wright Medical Group N.V.;

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(s) 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(s) 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 (or persons performing the equivalent functions):

   (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: July 28, 2020

/s/ Robert J. Palmisano

Robert J. Palmisano

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934

I, Lance A. Berry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wright Medical Group N.V.;

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(s) 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(s) 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 (or persons performing the equivalent functions):

    (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: July 28, 2020

/s/ Lance A. Berry

Lance A. Berry

Executive Vice President, Chief Financial and Operations Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

Each of the undersigned, Robert J. Palmisano and Lance A. Berry, certifies pursuant to Rule 13a-14(b) under the United States Securities Exchange Act of 1934 (Exchange Act) and Section 1350 of Chapter 63 of Title 18 of the United States Code, that to the best of my knowledge:

(1) this Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2020 (Report) of Wright Medical Group N.V. (Company) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2020

/s/ Robert J. Palmisano

Robert J. Palmisano

President and Chief Executive Officer

/s/ Lance A. Berry

Lance A. Berry

Executive Vice President, Chief Financial and Operations Officer

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the United States Securities Act of 1933 or the Exchange Act regardless of any general incorporation language in such filing.