

Össur hf.

**Condensed Interim Consolidated
Financial Statements**

31.12.2023

Össur hf

Grjóthálsi 5

110 Reykjavík

Id-no. 560271-0189

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January 2023 to 31 December 2023 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU. The Condensed Interim Consolidated Financial Statements are neither audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 785.7 million and the net profit amounted to USD 58.8 million. Össur's Consolidated total assets amounted to USD 1,385.7 million at the end of period, liabilities were USD 680.7 million, and equity was USD 705.0 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 31 December 2023 and financial performance and cash flow for the period ended 31 December 2023.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January 2023 to 31 December 2023 and confirm them by means of their signatures.

Reykjavík, 30 January 2024

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt
Vice Chairman of the Board of Directors

Arne Boye Nielsen
Member of the Board of Directors

Alberto Esquenazi
Member of the Board of Directors

Guðbjörg Edda Eggertsdóttir
Member of the Board of Directors

President and CEO

Sveinn Sölvason

Consolidated Income Statement

All amounts in USD '000	Notes	2023	2022	Q4 2023	Q4 2022
Net sales	3	785,683	718,650	210,197	190,944
Cost of goods sold		(300,110)	(278,902)	(81,646)	(75,008)
Gross profit		485,573	439,748	128,551	115,936
Other income / (expenses)		1,927	(2,296)	302	1,252
Sales and marketing expenses		(293,080)	(266,056)	(76,933)	(68,049)
Research and development expenses		(38,142)	(34,024)	(10,110)	(8,864)
General and administrative expenses		(66,891)	(72,529)	(17,179)	(19,047)
Earnings before interest and tax (EBIT)		89,387	64,844	24,631	21,228
Financial income		4,608	1,306	951	209
Financial expenses		(20,720)	(12,947)	(5,001)	(3,786)
Net exchange rate difference		(666)	2,612	788	(1,566)
Net financial expenses		(16,778)	(9,029)	(3,262)	(5,143)
Share in net profit of associates		3,398	357	2,799	87
Earnings before tax (EBT)		76,007	56,172	24,169	16,172
Income tax		(17,206)	(12,962)	(5,154)	(3,413)
Net profit		58,801	43,210	19,015	12,759
Attributable to:					
Owners of the Company		58,389	42,513	18,995	12,904
Non-controlling interests		412	697	20	(145)
Net profit		58,801	43,210	19,015	12,759
Earnings per share					
Basic earnings per share (US cent)		14.0	10.3	4.5	3.0
Diluted earnings per share (US cent)		14.0	10.3	4.5	3.0

Consolidated Statement of Comprehensive Income

All amounts in USD '000	2023	2022	Q4 2023	Q4 2022
Net profit	58,801	43,210	19,015	12,759
Items that may be reclassified subsequently to profit or loss:				
Change in cash flow hedges	963	(1,431)	(642)	(1,322)
Fair value changes of financial liabilities	93	0	93	0
Exchange differences on translating foreign operations	4,839	(23,968)	7,566	15,485
Income tax	811	(208)	1,439	1,368
Other comprehensive income, net of income tax	6,706	(25,607)	8,456	15,531
Total comprehensive income	65,507	17,603	27,471	28,290
Attributable to:				
Owners of the Company	65,095	16,906	27,451	28,435
Non-controlling interests	412	697	20	(145)
Total comprehensive income	65,507	17,603	27,471	28,290

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.12.2023	31.12.2022
Property, plant and equipment	5	64,386	54,189
Right of use assets	6	121,673	125,131
Goodwill	7	690,855	680,400
Other intangible assets	8	65,841	62,003
Investment in associates		20,532	13,751
Other financial assets		4,530	3,719
Deferred tax assets		41,888	37,320
Non-current assets		1,009,706	976,514
Inventories		136,226	132,127
Accounts receivables		127,844	112,372
Other assets		39,253	27,717
Cash and cash equivalents		72,653	76,631
Current assets		375,976	348,847
Total assets		1,385,682	1,325,361

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000		31.12.2023	31.12.2022
Issued capital and share premium		66,260	66,211
Reserves		(64,045)	(70,467)
Retained earnings		699,667	639,961
Shareholders equity		701,883	635,704
Non-controlling interest		3,123	(194)
Total equity		705,005	635,510
Borrowings		311,802	277,709
Lease liabilities	6	112,605	116,376
Deferred tax liabilities		28,777	29,596
Provisions		6,666	5,808
Deferred income		7,277	6,042
Other financial liabilities		17,351	17,314
Non-current liabilities		484,478	452,844
Borrowings		21,533	62,068
Lease liabilities	6	21,793	24,770
Accounts payable		30,749	28,653
Income tax payable		12,138	11,012
Provisions		11,322	19,325
Accrued salaries and related expenses		50,068	42,005
Other financial liabilities		9,583	18,524
Other liabilities		39,012	30,651
Current liabilities		196,198	237,007
Total liabilities		680,676	689,851
Total equity and liabilities		1,385,682	1,325,361

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	2023	2022	Q4 2023	Q4 2022
Earnings before interests and tax (EBIT)		89,387	64,844	24,631	21,228
Depreciation and amortization	5, 6, 8	49,920	49,365	12,856	12,378
Change in inventories		(2,268)	(28,620)	4,952	(3,128)
Change in receivables		(16,370)	(13,197)	(1,534)	219
Change in payables		14,896	10,942	8,953	10,910
Change in provisions		(7,365)	11,583	(438)	(2,649)
Other operating activities		(2,214)	(2,952)	(2,968)	203
Cash generated from operations		125,986	91,965	46,452	39,161
Interest received		4,733	1,581	315	199
Interest paid		(16,046)	(13,112)	(840)	(5,876)
Income tax paid		(20,349)	(19,663)	(9,151)	(9,300)
Net cash generated from operating activities		94,324	60,771	36,776	24,184
Purchase of fixed and intangible assets	5, 8	(42,278)	(25,942)	(10,288)	(7,216)
Acquisition of subsidiaries, net of cash in acquired entities		(11,903)	(41,784)	(6,733)	(897)
Other investing activities		(2,966)	1,465	(3,474)	347
Cash flows used in investing activities		(57,147)	(66,261)	(20,495)	(7,766)
Proceeds from long-term borrowings		0	52,833	0	52,286
Repayments of long-term borrowings		(13,202)	(65,797)	(6,166)	(59,546)
Changes in revolving credit facility		(1,575)	48,588	(3,008)	2,631
Payments of lease liabilities	6	(25,423)	(21,264)	(5,330)	(5,392)
Dividends from subsidiaries paid to non-controlling interests		(759)	(630)	(759)	(629)
Purchased treasury shares		0	(9,941)	0	(724)
Cash flows (used in)/generated from financing activities		(40,959)	3,789	(15,263)	(11,374)
Net change in cash		(3,782)	(1,702)	1,018	5,044
Exchange rate effects on cash held in foreign currencies		(196)	(6,864)	1,279	4,789
Cash and cash equivalents at beginning of period		76,631	85,197	70,356	66,798
Cash and cash equivalents at end of period		72,653	76,631	72,653	76,631

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Other reserves	Retained earnings	Share-holders equity	Non-controlling interests	Total equity
Balance at 1 January 2022	4,795	70,776	(45,917)	591,932	621,586	5,009	626,595
Net profit				42,513	42,513	697	43,210
Change in cash flow hedges			(1,141)		(1,141)		(1,141)
Transl. diff. of shares in subsidiaries			(24,466)		(24,466)		(24,466)
Total comprehensive income	0	0	(25,607)	42,513	16,906	697	17,603
Payment of dividends					0	(630)	(630)
Share option charge for the period			2,221		2,221		2,221
Share option vested during the period	1	579	(1,164)	245	(338)		(338)
Purchase of treasury shares	(16)	(9,925)			(9,941)		(9,941)
Change in non-controlling interests				5,270	5,270	(5,270)	0
Balance at 31 December 2022	4,781	61,430	(70,467)	639,961	635,704	(194)	635,510
Net profit				58,389	58,389	412	58,801
Change in cash flow hedges			770		770		770
Fair value changes of financial liabilities			70		70		70
Transl. diff. of shares in subsidiaries			5,866		5,866		5,866
Total comprehensive income	0	0	6,706	58,389	65,095	412	65,507
Payment of dividends					0	(759)	(759)
Put option for minority share in subsidiary			(825)		(825)		(825)
Share option charge for the period			1,759		1,759		1,759
Share option vested during the period	0	49	(1,218)	1,088	(81)		(81)
Change in non-controlling interests				229	229	3,665	3,894
Balance at 31 December 2023	4,781	61,479	(64,045)	699,667	701,883	3,123	705,005

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are presented in accordance with the new and revised IFRS accounting standards and new interpretations (IFRIC), applicable for the period. New and amended IFRS accounting standards that are effective for the current year have minor impact on the Company's Financial Statements. The Company has not early applied new and revised IFRS accounting standards that have been issued but are not yet effective. The Financial Statements are presented in USD, which is the Company's functional currency. They do not include all of the information required for full Annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period ended 31 December 2023. The Company's Annual Consolidated Financial Statements can be found on the Company's website www.ossur.com.

Basis of preparation

The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Condensed Interim Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand ('000), except when otherwise indicated. This rounding may have impact on the total sum. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Consolidated Financial Statements for the period ended 31 December 2023.

Notes to the Consolidated Financial Statements

2. Quarterly statements

	Full year 2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net sales	785,683	210,197	192,920	201,353	181,212
Cost of goods sold	(300,110)	(81,646)	(73,890)	(75,409)	(69,164)
Gross profit	485,573	128,551	119,030	125,944	112,049
Gross profit margin	62%	61%	62%	63%	62%
Other income	1,927	302	137	430	1,058
Sales and marketing expenses	(293,080)	(76,933)	(71,712)	(73,272)	(71,163)
Research and development expenses	(38,142)	(10,110)	(8,884)	(9,414)	(9,734)
General and administrative expenses	(66,891)	(17,179)	(14,577)	(18,666)	(16,470)
EBIT	89,387	24,631	23,994	25,023	15,739
Net financial expenses	(16,778)	(3,262)	(5,923)	(5,128)	(2,465)
Share in net profit of associates	3,398	2,799	(67)	682	(16)
EBT	76,007	24,169	18,004	20,577	13,257
Income tax	(17,206)	(5,154)	(4,131)	(4,705)	(3,216)
Net profit	58,801	19,015	13,873	15,872	10,041
EBITDA	139,307	37,487	36,271	37,372	28,177
EBITDA margin	18%	18%	19%	19%	16%

There were no special items in the year 2023.

3. Net Sales

	2023	2022	Q4 2023	Q4 2022
Sales by geographical segment:				
Americas	384,057	350,749	100,571	95,390
EMEA	336,278	306,013	92,774	80,128
APAC	65,348	61,888	16,853	15,426
Total	785,683	718,650	210,197	190,944
Sales by business segment:				
Prosthetics	398,039	346,522	102,523	91,843
Bracing & Supports	146,500	143,121	36,117	35,257
Internal product sales	(38,952)	(31,083)	(10,132)	(8,519)
External product sales	505,587	458,560	128,508	118,581
Patient Care	280,096	260,090	81,689	72,363
Total	785,683	718,650	210,197	190,944

Presentation of sales by business segment has been changed in 2023, resulting in restatement of comparatives.

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	2023			Q4 2023		
	LCY	USD	%	LCY	USD	%
Sales						
USD	346,755	346,755	44%	91,822	91,822	44%
EUR	173,902	188,065	24%	45,605	49,081	23%
ISK	503,403	3,659	0%	145,632	1,049	0%
Nordic curr. (SEK, NOK, DKK)		93,268	12%		29,005	14%
Other (GBP, AUD, CAD & Other)		153,936	20%		39,240	19%
Total		785,683	100%		210,197	100%
COGS and OPEX						
USD	308,819	308,819	44%	76,809	76,809	41%
EUR	135,361	146,369	21%	37,771	40,650	22%
ISK	9,959,251	72,122	10%	2,846,413	20,497	11%
Nordic curr. (SEK, NOK, DKK)		85,118	12%		24,905	13%
Other (GBP, MXN, CAD & Other)		83,868	12%		22,705	12%
Total		696,296	100%		185,566	100%

	2022			Q4 2022		
	LCY	USD	%	LCY	USD	%
Sales						
USD	320,039	320,039	45%	88,518	88,518	46%
EUR	154,664	162,914	23%	41,803	42,659	22%
ISK	337,268	2,483	0%	107,852	752	0%
Nordic curr. (SEK, NOK, DKK)		93,413	13%		24,928	13%
Other (GBP, AUD, CAD & Other)		139,801	19%		34,087	18%
Total		718,650	100%		190,944	100%
COGS and OPEX						
USD	312,567	312,567	48%	84,585	84,585	50%
EUR	108,448	114,789	17%	28,526	29,110	17%
ISK	8,787,768	65,084	10%	2,381,020	16,593	10%
Nordic curr. (SEK, NOK, DKK)		84,630	13%		22,069	13%
Other (GBP, MXN, CAD & Other)		76,736	12%		17,359	10%
Total		653,806	100%		169,716	100%

Currency split is derived by using best available information at each time.

Notes to the Consolidated Financial Statements

5. Property, plant and equipment

2023	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	2,257	69,427	46,356	13,928	131,968
Reclassification	(1,680)	0	1,680	0	0
Additions	0	8,902	15,540	4,791	29,233
Business Combinations	0	82	29	0	111
Eliminated on disposal	0	(4,098)	(3,846)	(280)	(8,224)
Fully depreciated assets	0	(3,258)	(3,624)	(3,795)	(10,677)
Exchange rate differences	19	646	1,116	297	2,078
At 31 December 2023	596	71,701	57,251	14,941	144,489
Depreciation					
At 1 January	474	41,900	26,129	9,276	77,779
Reclassification	(352)	0	352	0	0
Charge for the period	18	8,645	5,445	3,518	17,626
Eliminated on disposal	0	(3,131)	(2,589)	(234)	(5,954)
Fully depreciated assets	0	(3,258)	(3,624)	(3,795)	(10,677)
Exchange rate differences	3	306	859	161	1,329
At 31 December 2023	143	44,462	26,572	8,926	80,103
At 31 December 2023	453	27,239	30,679	6,015	64,386
Depreciation classified by functional category:					
	2023	2022	Q4 2023	Q4 2022	
Cost of goods sold	9,129	8,945	2,658	2,243	
Sales and marketing expenses	4,549	4,866	1,163	1,245	
Research and development expenses	673	741	199	166	
General and administrative expenses	3,275	3,170	819	835	
Total	17,626	17,722	4,839	4,489	

Notes to the Consolidated Financial Statements

6. Leases

Right of use assets

2023	Buildings & sites	Machinery & equipment	Total
At 1 January	122,647	2,484	125,131
Additions and renewals	15,033	2,077	17,110
Depreciation charge for the period	(20,566)	(1,934)	(22,500)
Eliminated on disposal and termination	(562)	(24)	(586)
Exchange rate differences	2,415	103	2,518
At 31 December 2023	118,967	2,706	121,673

Depreciation classified by functional category:	2023	2022	Q4 2023	Q4 2022
Cost of goods sold	8,982	8,471	2,241	1,958
Sales and marketing expenses	4,491	4,235	1,121	979
Research and development expenses	2,695	2,541	673	587
General and administrative expenses	6,332	5,930	1,569	1,764
Total	22,500	21,177	5,604	5,288

Lease liabilities

In January 2023, a buyout agreement for one of the Company's main locations was signed and the remaining contractual payment made, totaling USD 5.0 million.

7. Goodwill

	31.12.2023	31.12.2022
At 1 January	680,400	644,153
Business combinations	2,241	54,229
Exchange rate differences	8,214	(17,982)
At 31 December	690,855	680,400

Notes to the Consolidated Financial Statements

8. Other intangible assets

2023	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	36,939	25,009	2,803	50,242	114,993
Additions	109	3,548	52	712	4,421
Additions - internally generated	0	0	0	8,624	8,624
Fully amortized assets	(3,278)	(500)	0	(5,388)	(9,166)
Exchange rate differences	484	286	16	56	842
At 31 December 2023	34,254	28,343	2,871	54,246	119,714
Amortization					
At 1 January	27,039	6,857	501	18,593	52,990
Charge for the period	1,740	1,376	86	6,592	9,794
Fully amortized assets	(3,278)	(500)	0	(5,388)	(9,166)
Exchange rate differences	175	47	1	32	255
At 31 December 2023	25,676	7,780	588	19,829	53,873
At 31 December 2023	8,578	20,563	2,283	34,417	65,841
Amortization classified by functional category:					
		2023	2022	Q4 2023	Q4 2022
Cost of goods sold		628	143	217	33
Sales and marketing expenses		5,724	6,512	1,340	1,381
Research and development expenses		1,377	1,365	362	383
General and administrative expenses		2,065	2,446	494	804
Total		9,794	10,466	2,413	2,601