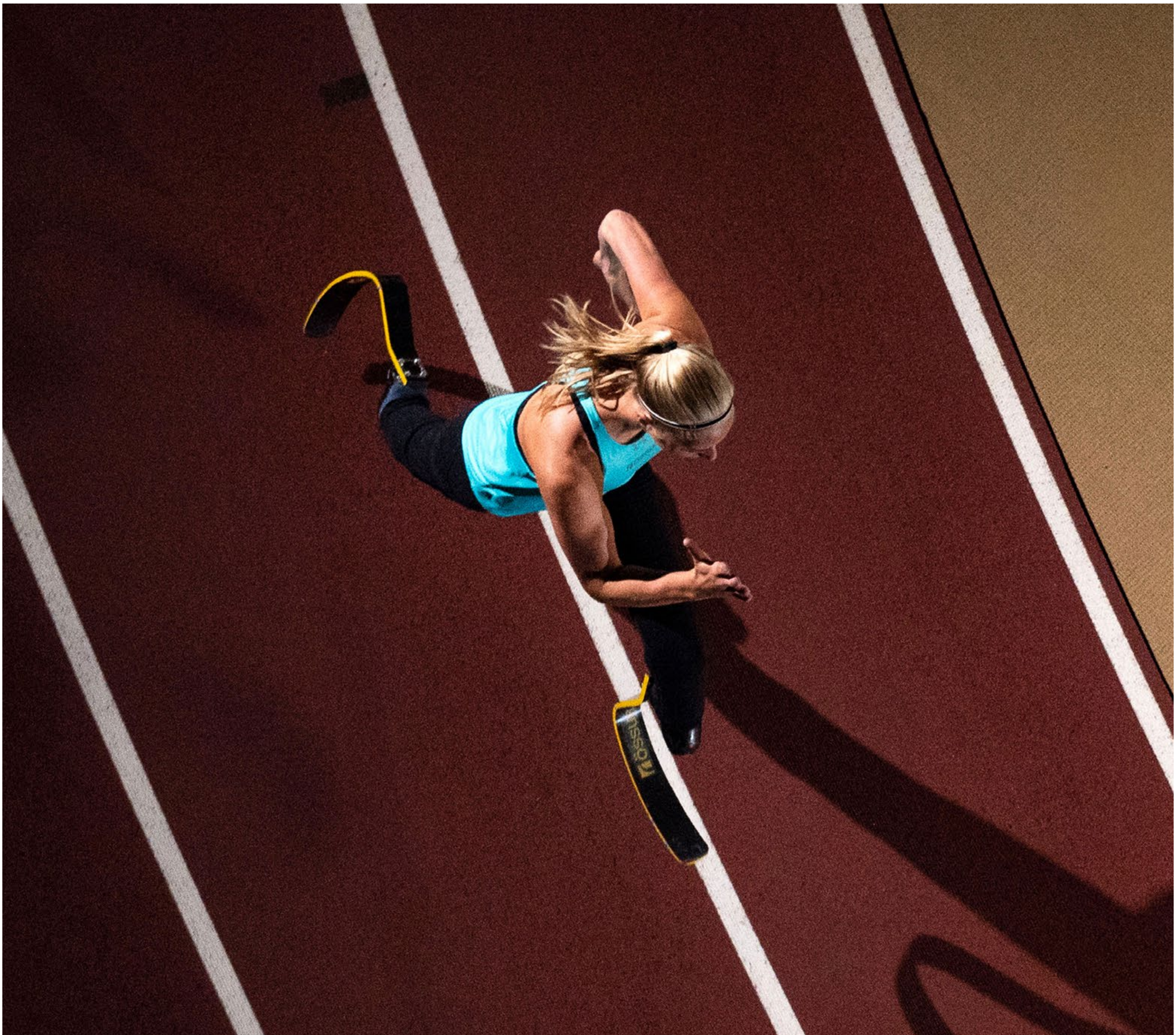


50
1971-2021

ÖSSUR®
LIFE WITHOUT LIMITATIONS

Annual Report
2021

Annual Report 2021

The Big Picture

Financial Performance

Our Business

Corporate Matters

Consolidated Financial Statements

Letter From the CEO

50 years of improving people's mobility

The year 2021 was another milestone year for Össur as we marked the Company's 50th anniversary. In today's ever-changing environment a rich, fifty-year history is something we can truly be proud of. Founded as a domestic clinic by Össur Kristinsson in 1971, Össur's global journey began to take off in the mid-1990's with the world's first silicone prosthetic liner, the Iceross®, and quickly accelerated after the Company went public in 1999. I have been fortunate enough to lead Össur since 1996 and see the Company, and the overall industry transform in many positive ways.

Technical and clinical advancements, comprehensive service offerings, digital solutions, and an increased emphasis on sustainability are all developments that Össur has embraced and are a key focus for our business.

The challenges presented by the global pandemic in 2020 have continued somewhat in 2021 but society as a whole is adjusting to a new normal and we have also adopted new ways of working at Össur. Our employees in manufacturing and distribution have been exceptional in maintaining our product supply, and our sales and customer care teams have done their utmost to meet the varying circumstances of our customers. Not only were we able to continue bringing new products to market, but we also progressed with ongoing research and development projects and added to service offerings that are being well-received by our customers.

Feedback on the newly launched Össur Power Knee™ is very impressive. Prosthetists and end-users alike comment that the stability and powerful motion of the knee lead to transformational outcomes. The energy added by the powered prosthesis helps amputees preserve their valuable energy for other activities.

Innovation remains a key pillar of our strategy and recognition received from the World Intellectual Property Organization (WIPO) earlier in the year, confirmed our leadership position. Össur ranks second in the world for top patent applicants in conventional mobility assistive technologies. Össur is also listed among the top applicants in patent filings for advanced prosthetics and exoskeletons.

It was a pleasure to see our Team Össur athletes gather in Tokyo to compete on the world's stage after years of preparation and hard work. Our Össur athletes won a total of 28 medals and set four new World Records and three Paralympic Records at the Games. Our world-renowned Cheetah® blades remain the prostheses of choice for elite athletes, and we are beaming with pride. It was an extraordinary time for sport and the determination and resilience of athletes rose to new heights.

Another significant milestone reached during our anniversary year is carbon neutrality. We care about the environment and have actively worked on establishing a good overview of the Company's carbon footprint. In 2021, we proudly became Carbon Neutral for energy and fuel consumption, waste generation, business travel, transportation of goods, and electricity consumption of finished goods suppliers. As part of our larger commitment to sustainability, we are contributing to the UN Sustainable Development Goal on Climate Action which is one of four SDGs we have chosen to focus on. The others are Good Health and Well-being, Gender Equality, and Responsible Consumption and Production. Sustainability is a topic of great importance to our employees, customers, and shareholders alike, and we at Össur are committed to actively contributing to a better society for future generations.

Additionally, in 2021 we made an effort to elevate our commitment to diversity, equity and inclusion and actively communicated our desire to celebrate different ideas, perspectives and backgrounds. Our strong company culture and values foster an environment for acceptance and belonging. We also introduced the Össur Give Back Program which offers all employees globally one volunteer day per year to give back to their communities. The program has been extremely well-received and numerous causes and charities have benefitted from the efforts of our employees.

I recently announced my retirement and at the end of Q1 2022, I will be passing the torch to Sveinn Sölvason, Össur's Chief Financial Officer. I have thoroughly enjoyed my 26 years at Össur, and I am immensely proud of our accomplishments, not to mention the many great colleagues, customers and end-users I have crossed paths with over the years. Össur has grown from being a niche company with USD 5 million in revenue and 40 employees, to a leading global medical device company with annual sales of USD 719 million and around 4,000 employees worldwide. Guided by our values and commitment to improving people's mobility, we have not only brought life-changing products to market and forged valuable partnerships with our customers, but also contributed positively to the communities we serve. I have no doubt that the strong Össur culture will continue to be the foundation for future success.

It has been an absolute pleasure to lead Össur from being a one product company to a leading global medical device company. There have been countless milestones over the years that have contributed to our growth and market leading position, but our biggest asset is our valuable team of employees around the world. Their passion and dedication to our customers and end-users is exceptional and I am immensely proud to have been part of this winning team.

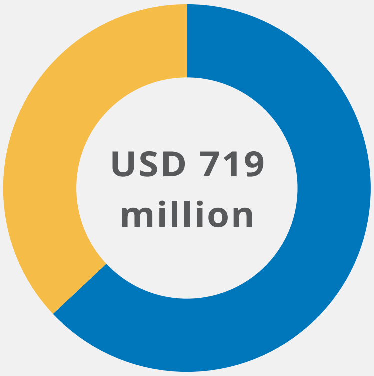
As we embark on a new chapter in the Össur journey, I would like to extend my sincere thanks to our employees, customers, end-users and shareholders for their partnership and collaboration over the years. My very best wishes to all of you.

Jon Sigurdsson
President and CEO

2021 in Brief

Össur is a global leader in non-invasive orthopaedics

Business Segments



Sales in 2021 by Segments

- Prosthetics 63%
- Bracing & Supports 37%

Regional Overview

Americas

47%
as % of sales

USD 339 million
Organic growth: 8%
FTEs: ~1,400

EMEA

44%
as % of sales

USD 315 million
Organic growth: 12%
FTEs: ~1,500

APAC

9%
as % of sales

USD 65 million
Organic growth: 9%
FTEs: ~200

HQ FTEs: ~600

Financial Highlights

10%
Organic growth

21%
EBITDA margin

18%
Cash generated by operations

2.4x
NIBD/EBITDA

Sustainability and CSR Highlights

67%
Waste recycled

53% | 47%
Gender ratio
Male | Female

38%
Female management
Female in management positions

0.5
Incident rate
Incident rate per 100 FTEs

4.1 of 5
Global employee satisfaction

Year in Review

Össur's 50th anniversary year was memorable in numerous ways. Paralympic Records, World Records, carbon neutrality, new products, and noteworthy recognition on many fronts. Strong partnerships with our customers and end-users continue to strengthen our commitment to Life Without Limitations®.

January

1971-2021
ÖSSUR.
LIFE WITHOUT LIMITATIONS

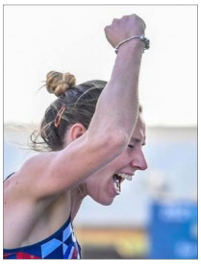
O&P Almanac

Össur's 50th anniversary kicks off, celebrating 50 years of Life Without Limitations®.

Össur featured in O&P Almanac.

February

ÖSSUR. CO_2 NEUTRAL



Marie-Amélie Le Fur

Össur announced it will be Carbon Neutral in 2021.

Team Össur member Marie-Amélie Le Fur, broke her own world record in long jump to 6.14m at the Para Grand Prix in Dubai.

Össur celebrated the International Day of Women and Girls in Science.

Össur's stand at ISPO 2019, held in Kobe, Japan, chosen as one of the best booth designs and featured in "The Booth Design" book, published in 2021.

March

WIPO

Citrix Innovation Award

Össur won the 2020-2021 Citrix Innovation Award.

Össur's Diversity, Equity & Inclusion statement published.

Össur recognized by the World Intellectual Property Organization (WIPO) for its intellectual property leadership in conventional mobility assistive technologies.

April

Fréttablaðið

Rebound®
Post-Op Elbow

An 8-page spread in Fréttablaðið, an Icelandic daily newspaper, to celebrate Össur's 50th anniversary.

Össur launched the new Rebound® Post-Op Elbow, the lightest brace of its kind.

Össur Ambassadors participated in the "Tell me you're an amputee without telling me you are an amputee" challenge on Instagram.

May

Rebound®
DUAL Recover

ÖSSUR. GIVE BACK PROGRAM

Cheetah®

Össur launched three new, next-generation Cheetah® running prosthesis and the Rebound® DUAL Recover brace.

Össur introduced the Össur Give Back Program, giving all employees globally one volunteer day per year.

Team Össur member Fleur Jong broke her own world record in the long jump and becomes the first double amputee to jump over 6 meters (6.02m).

June

Markus Rehm

i-Limb® Quantum

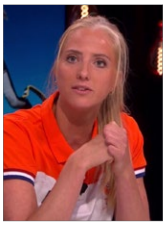
Team Össur member Markus Rehm breaks his own long jump world record from 8.48m to 8.62m at the IPC European Championships in Poland.

The Netflix documentary Rising Phoenix won two prestigious Sports Emmy Awards. The film features Team Össur athletes Bebe Vio and Ntando Mahlangu.

Renowned British designer Ilse Crawford featured the i-Limb® in a Good Design Masterclass episode.

Year in Review

July

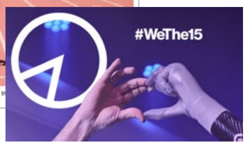



Interview with Team Össur member Fleur Jong on Primetime Dutch television, reaching 1.4 million viewers.

August


Los Angeles Times

Column: Trenten Merrill strives to offer message of hope at Tokyo Paralympics



Team Össur member Trenten Merrill featured in the LA Times.

Össur supports the #WeThe15 global movement, a public campaign for disability visibility, inclusion and accessibility.

Össur featured in L'Equipe, the leading sport magazine in France.

September

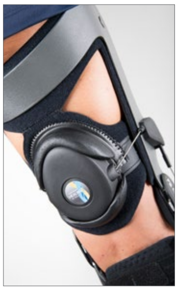
Tokyo Paralympic Games - Team Össur won 28 medals, set four new World Records and three new Paralympic Records.

Össur Ambassador from Spain, Marta Casado (with her Cheetah® Knee and Flex-Run™) is the face of a new campaign by "Lefties", an international clothing brand.

Össur DACH opened a new office in Cologne, Germany.

October

Fleur Jong



Rebound® ACL

Real Bodies exhibition

Team Össur member Fleur Jong featured on the cover of Women's Health Magazine.

The world's most renowned surgeons met in Stockholm to discuss Össur's Rebound® ACL brace.

Össur products featured in the famous Real Bodies exhibition in Bologna, Italy.

November

Össur + CAF Running & Mobility Clinic

NPC Iceland

Össur extended its 30-year long partnership with the Icelandic Disabled Sports Association (NPC Iceland).

Össur named one of Medtech's 100 largest players.

Team Össur member Marko Cheseto Lemtukei set another new World Record at the 2021 New York Marathon with a time of 2:35:55.

Össur had a great showing at the NYC Marathon with Marko Cheseto, Richard Whitehead, Rudy Garcia-Tolson, and Ernst van Dyk all participating in the grueling marathon with great results.

The first Össur + CAF Running & Mobility Clinic of 2021 in Denver was featured in Amplitude Magazine.

December

Hilmar Snær Örvarsson

Ntando Mahlangu

Hilmar Snær Örvarsson, leading para-alpine skier, joined Team Össur.

Team Össur member Ntando Mahlangu named GQ Magazine's Sportsperson of the Year.

Jon Sigurdsson, Össur's President and CEO announces plans to retire after Q1 2022. Sveinn Sölvason, Össur's Chief Financial Officer named successor.

Össur at a Glance

We Improve People's Mobility

Össur is a global leader in non-invasive orthopaedics; innovating, producing, and providing advanced and innovative technological solutions within the prosthetics and bracing & supports market. Our mission is to improve the mobility of our end-users so they can live their Life Without Limitations®.

Since the foundation of Össur in 1971, 50 years ago, the Company has grown through a healthy combination of organic development and acquisitions, both in Prosthetics and Bracing & Supports. Össur has a strong global presence in its industries and key markets and is well positioned to leverage future growth opportunities. Össur's main focus areas are innovation, growth and efficiency. Össur is listed on Nasdaq Copenhagen, has operations in 35 countries and has around 4,000 employees across the globe. Össur is signatory to the UN Global Compact, UN Women's Empowerment Principles, contributes to the UN Sustainable Development Goals and became carbon neutral in 2021.

Life Without Limitations®

We strive to create a Life Without Limitations® for our end-users. They are at the core of everything we do, and we specialize in providing qualitative and comprehensive solutions to their wide range of individual needs.

Our End-Users

We help our end-users to advance in their everyday life and pursue their goals without limitations. Prosthetics are used by individuals who are living with limb loss or limb difference for a variety of reasons. Vascular disease, diabetes, trauma, and congenital defects are some of the more common reasons. Bracing & Supports are used by individuals who develop knee pain, are diagnosed with osteoarthritis in their joints, incur fractures to their ligaments or injure themselves causing movement impairment.

World Class Innovation Capabilities

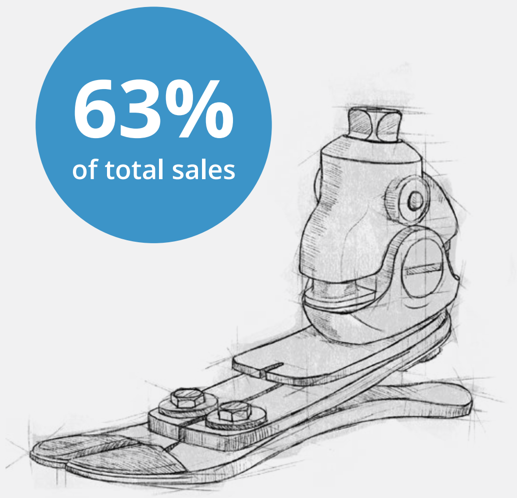
Significant investment in research and development has resulted in over 2,000 patents, award-winning designs, successful clinical outcomes, and consistently strong market positions. Every year, we invest around 5% of sales in research and development to progress and enhance our product portfolio for the benefit of our end-users. Össur is a pioneer of advanced technology with top tier brand recognition based on quality and high reliability, providing scientifically proven solutions that deliver effective clinical outcomes. We emphasize listening to and learning from our end-users to develop successful products. By understanding our end-users' needs, through continuous development and pushing the boundaries of technology, we continue to create some of the best products and services available in Prosthetics and Bracing & Supports. In 2021, we introduced 14 new products to the market.

Our Segments

Össur operates within two market segments of the orthopaedic market: Prosthetics and Bracing & Supports. Prosthetic products include artificial limbs and related products for amputees while bracing & supports products are used to support joints and other body parts, both for preventive and therapeutic purposes.

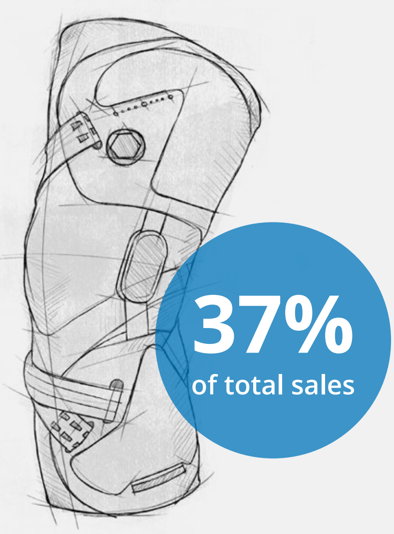
Our Segments

Prosthetics



Sub-Segment	End-User Profile	Improving Mobility
Mechanical Products	People living with lower extremity amputation	Broad product offering for lower extremity prosthesis
Bionic Products	People living with lower and upper extremity amputation	Advanced microprocessor controlled feet, knees, hands and fingers

Bracing & Supports



Sub-Segment	End-User Profile	Improving Mobility
Injury Solutions	People recovering from fractures, ligament injuries or need a post operative treatment	Products stabilizing joints and improving healing
OA Solutions	People living with Osteoarthritis (OA)	Non surgical treatment by unloading affected joint with braces

Our Products

Prosthetics

Össur's prosthetics product portfolio includes a full range of premium lower and upper limb prosthetic components. The portfolio ranges from solutions to support low active individuals who may be challenged to maintain the ideal balance of safety, comfort, and mobility, to solutions designed to enable especially active people to excel and engage in high-impact activities.

Bracing & Supports

OA solutions

Össur's osteoarthritis (OA) solutions are designed to enhance quality of life, reduce pain, and improve mobility for people living with osteoarthritis. Össur offers the Unloader One® range of knee braces that relieve pain from knee osteoarthritis, as well as the Unloader® Hip which is designed to reduce pain by optimizing load dispersion for patients suffering from mild and moderate osteoarthritis of the hip.

Injury solutions

Össur's injury solutions are designed for people recovering from fractures, ligament injuries or for those in need of post-operative treatment solutions. These solutions are designed to support the healing process of bone and soft tissue injuries. Several of these products come with the Functional Healing® seal that signifies a clinically validated healing solution that helps enhance the body's natural healing process while maximizing mobility.

Who are the end-users that benefit from our solutions?

Prosthetics

- High and low active lower limb amputees
- Upper limb amputees
- Children living with limb loss
- Athletes living with limb loss

Bracing & Supports

- People that require post-operative treatment
- People in rehabilitation for PCL ruptures
- People requiring protection and joint stabilization
- People with foot and ankle injuries that require immobilization
- People with mild to severe osteoarthritis
- People seeking treatment for venous ulcers and swelling

Five-Year Overview

Five-Year Overview					
USD million	**2021**	**2020**	**2019**	**2018**	**2017**
Net sales	719	630	686	613	569
Gross profit	455	391	439	387	355
Operating expenses (excl. other income)	360	338	341	304	280
EBITDA	149	93	141	107	97
EBITDA before special items	149	93	150	115	103
EBIT	97	28	98	79	75
Net profit	66	8	69	80	58
Sales growth					
Sales growth USD %	14	(8)	12	8	9
- Organic growth %	10	(10)	5	5	5
- Currency effect %	3	0	(4)	1	0
- Acquired/divested business %	1	2	11	2	4
Balance Sheet					
Total assets	1,247	1,214	1,091	914	793
Equity	627	577	569	538	500
Net interest-bearing debt (NIBD)	363	381	302	180	121
Cash Flow					
Cash generated by operations	128	119	120	92	90
Free cash flow	74	68	63	39	55
Key ratios					
Gross profit margin %	63	62	64	63	62
EBIT margin %	14	4	14	13	13
EBITDA margin %	21	15	21	18	17
EBITDA margin before special items %	21	15	22	19	18
Equity ratio %	50	48	52	59	63
NIBD to EBITDA	2.4	4.1	2.0	1.6	1.2
Effective tax rate %	24	38	24	18	16
Return on equity %	11	1	12	15	12
CAPEX to net sales %	3.7	3.8	4.6	5.0	3.4
Full time employees on average	3,761	3,505	3,382	2,775	2,948
Market					
Market value of equity	2,724	3,380	3,340	2,055	1,871
Number of shares in Millions	423	423	425	431	437
Diluted EPS in US cents	15.5	1.9	16.2	18.7	13.3

Performance in 2021

Financial Performance in 2021

- Sales amounted to USD 719 million in 2021. Sales increased by 11% in local currency in 2021 and by 10% organic, in line with the guidance for 2021, compared to a decline in local currency of 8% organic and a decline of 10% organic in 2020.
- Prosthetics sales increased by 11% organic and Bracing & Supports sales increased by 8% organic in 2021.
- In 2021, Össur continued to invest in growing the infrastructure in new and Emerging Markets and went direct in seven new markets in the Eastern part of Europe. Now, Össur has operations in 35 countries globally.
- Gross profit margin was 63% in 2021 compared to 62% in 2020.
- The EBITDA margin for 2021 was 21% in line with guidance, compared to an EBITDA margin of 15% for 2020 that was affected by extraordinary costs related to divestments.
- Net profit in 2021 amounted to USD 66 million compared to USD 8 million in 2020.
- Cash generated by operations amounted to USD 128 million or 18% of sales in 2021.
- In 2021, Össur completed acquisitions of entities with combined annual sales of USD 26 million.
- NIBD/EBITDA was 2.4x at the end of 2021, within the target level of 2.0x-3.0x.
- Össur has decided to restart its share buyback program and will commence it shortly. The share buyback program was put on hold on 17 March 2020 due to the impact of the COVID-19 pandemic, as the net interest-bearing debt to EBITDA ratio was temporarily above the target level. With emphasis on growth opportunities, value-adding investment opportunities and acquisitions, Össur has decided to discontinue dividend payments and focus on returning excess capital to shareholders via purchase of own shares in accordance with the Company's updated Capital Structure and Capital Allocation Policy.
- The financial guidance for the full year 2022 is 6-9% organic sales growth, 20-21% EBITDA margin before special items, 3-4% CAPEX of sales, and an effective tax rate of 23-24%.

Key Financials and Guidance

USD million	FY 2021	FY 2020	FY Guidance 2022
Net sales	719	630	
Sales growth, organic	10%	(10%)	6-9%
Gross profit margin	63%	62%	
EBITDA	149	93	
EBITDA margin	21%	15%	
EBITDA before special items	149	93	
EBITDA margin before special items	21%	15%	20-21%
CAPEX as % of sales	4%	4%	3-4%
Effective tax rate	24%	38%	23-24%

Financial Performance

Sales Performance

Sales amounted to USD 719 million in 2021 compared to USD 630 million in 2020, corresponding to a 10% increase organic, 11% increase including acquisitions/divestments (local currency growth) and 14% increase reported (USD growth).

Currency movements in 2021 impacted sales growth positively by USD 20 million, which corresponds to about a 3%-point positive effect on the reported growth rate.

Throughout 2021, Össur completed several acquisitions of entities with full year sales of around USD 26 million.

Sales by Regions

Sales by Regions (USD million)	FY 2021	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*
Americas	339	8%	2%	0%	10%
EMEA	315	12%	0%	6%	18%
APAC	65	9%	0%	7%	16%
Total	**719**	**10%**	**1%**	**3%**	**14%**

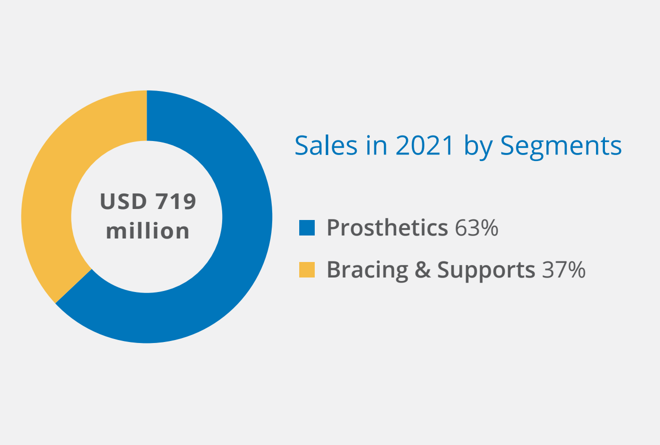
* growth/(decline)

Sales by Segments

Sales by Segments (USD million)	FY 2021	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*
Prosthetics	453	11%	8%	2%	22%
Bracing & Supports	266	8%	-9%	4%	3%
Total	**719**	**10%**	**1%**	**3%**	**14%**

* growth/(decline)

Business Segments



Prosthetics sales in 2021 amounted to USD 453 million and increased by 11% organic. Sales of bionic products accounted for 21% of Prosthetics component sales in 2021. Bionic sales growth was strong in all regions towards the end of the year, back to pre-pandemic levels of 23% of Prosthetics component sales in Q4 2021. Although bionic products have been impacted more by COVID-19 than mechanical products due to the more intensive bionic sales and fitting procedure as well as a more elaborate reimbursement process, this development indicates that Bionics are gradually back on track. Bracing & Supports sales in 2021 amounted to USD 266 million and increased by 8% organic.

The COVID-19 pandemic has impacted Prosthetics and Bracing & Supports differently. Throughout the COVID-19 pandemic, Prosthetics sales have been more resilient than Bracing & Supports. The demand for prosthetic solutions is, in the markets that Össur generates the majority of sales, mostly driven by servicing the existing amputee population with maintenance, renewals, and upgrades of prosthetic solutions. The demand for bracing & supports products is largely driven by injuries, surgeries, and prevalence of osteoarthritis (OA). The COVID-19 pandemic and the associated measures to control the spread of the virus have had a significant impact on amateur sports and activity levels that have resulted in fewer injuries. It is not expected that there will be pent-up demand for injury solutions. COVID-19 has impacted volumes of elective surgeries such as knee replacement surgeries, that drive demand for post-operative bracing solutions. OA bracing sales have also been impacted, primarily due to limitations to physician access.

Operations

Gross profit for 2021 amounted to USD 455 million or 63% of sales compared to USD 391 million or 62% of sales for 2020. In the second half of 2021, the gross profit margin was affected by temporary variable cost increases and related negative impact on productivity. Össur's manufacturing sites and warehouses operated at normal capacity within local COVID-19 restrictions, but supply chain challenges have had a short-term negative effect on productivity. Supply chain cost increases affected cost of goods sold negatively by USD 10 million on a full-year basis in 2021.

Operating expenses (OPEX) amounted to USD 358 million or 50% of sales for 2021. Excluding extraordinary OPEX in 2020, the main driver for OPEX growth in 2021 is variable sales and marketing cost, as customer activities and variable payroll is higher compared to last year. In addition, cost in relation to further investments in the Emerging Markets platform and digital initiatives are impacting OPEX growth.

Management remains focused on managing cost with the ultimate objective to maintain and increase profitability as sales normalize.

Operating Profit

In 2021, EBITDA amounted to USD 149 million or 21% of sales compared to EBITDA of USD 93 million or 15% of sales in 2020. The EBITDA in 2020 was impacted by extraordinary items in the amount of net USD 11 million. Currency impact on the EBITDA margin net of hedge was positive by about 30 basis points for 2021.

Financial Items, Income Tax and Net Profit

Net financial expenses for 2021 amounted to USD 11 million, compared to USD 16 million in 2020.

Income tax amounted to USD 21 million in 2021, corresponding to a 24% effective tax rate.

Net profit in 2021 amounted to USD 66 million compared to USD 8 million profit in 2020. Diluted earnings per share in 2021 amounted to 15.5 US cents compared to 1.9 US cents in 2020. In 2020, net profit was impacted by extraordinary items related to divestments, acquisitions, litigation, severance, and government grants, in addition to COVID-19.

Cash Flow

Cash flow was strong in 2021 despite prioritizing production and product availability while impacted by COVID-19 and supply chain challenges. Cash generated by operations amounted to USD 128 million or 18% of sales for 2021 compared to USD 119 million or 19% of sales for 2020.

Capital expenditures for 2021 amounted to USD 27 million or 4% of sales, compared to USD 24 million, also 4% of sales for 2020.

Bank balances and cash equivalents amounted to USD 85 million at the end of 2021 and USD 109 million of existing facilities were undrawn. Bank balances and cash equivalents in addition to undrawn credit facilities at the end of 2021, therefore, amounted to USD 194 million.

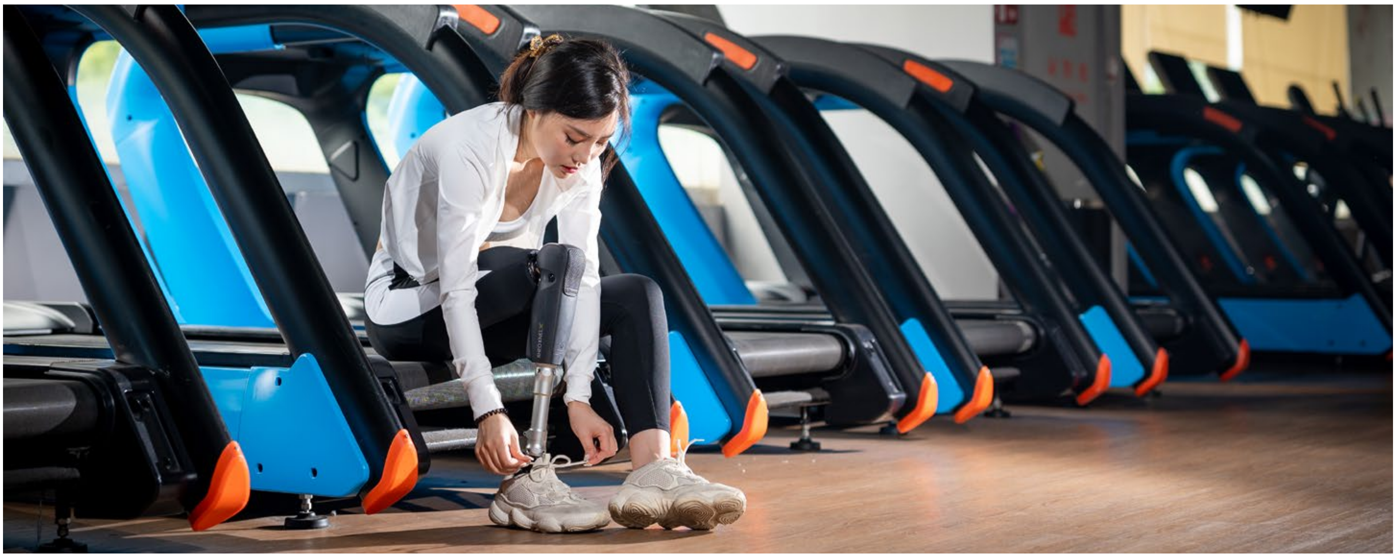
Capital Structure

Net-Interest Bearing Debt

Net interest-bearing debt, including lease liabilities, at year-end 2021 amounted to USD 363 million compared to USD 381 million at year-end 2020. Net interest-bearing debt to EBITDA corresponded to 2.4x at year-end 2021 within the target range in the Company's Capital Structure and Capital Allocation Policy (2.0x-3.0x NIBD/EBITDA).

Share Buybacks and Dividends

The share buyback program will shortly commence again. The share buyback program was put on hold on 17 March 2020 due to the impact of the COVID-19 pandemic, as the net interest-bearing debt to EBITDA ratio was temporarily above the target level. The net interest-bearing debt to EBITDA was within the target range at year-end 2021, at 2.4x. The purpose of the share buyback programs is to adjust the capital structure in line with the desired level of net debt to EBITDA. The Company's Capital Structure and Capital Allocation Policy has been updated to reflect the focus on returning excess capital to shareholders via purchase of own shares and discontinuing dividend payments, with emphasis on growth opportunities, value-adding investment opportunities and acquisitions. At year-end 2021, treasury shares totaled 739,862.



Outlook for 2022

Financial Guidance for 2022

Guidance		
	Guidance FY 2022	Actual FY 2021
Sales growth, organic	6-9%	10%
EBITDA margin before special items	20-21%	21%
CAPEX as % of sales	3-4%	4%
Effective tax rate	23-24%	24%

Team Össur Paralympic Success

The Paralympic Games took place in Tokyo in September 2021 after having been postponed for a year due to the pandemic. A global team of athletes who use Össur Prosthetics won 28 medals and set new World and Paralympic Records. Competitors using the iconic Össur Cheetah® sports blades, easily identified by their yellow stripe, dominated several categories of competition, particularly Athletics.

WORLD RECORDS 4

SILVER 8

GOLD 13

BRONZE 7

PARALYMPIC RECORDS 3

Össur athletes set four new World Records and three new Paralympic records, including a complete sweep of the Women's T62-64 Long Jump, led by gold medalist Fleur Jong of The Netherlands, who also set a new World Record in the event. Marie-Amélie Le Fur from France, won the silver medal and Marlene van Gansewinkel, also from the Netherlands, won the bronze medal. Marlene also set two new Paralympic Records while winning gold in both the T64 100m and 200m events.

Össur athletes also swept the Men's T61 200m, led by gold medalist Ntando Mahlangu of South Africa, followed by the Great Britain's Richard Whitehead. Ntando also set a new World Record and took gold in T61/T63 Long Jump. Germany's Markus Rehm, continued his winning streak in T64 Long Jump, winning his fourth consecutive gold medal and leading a total sweep by Össur athletes in that category.

In Cycling, Jody Cundy marked his seventh consecutive Paralympic Games by setting a new World Record and taking gold as a member of Great Britain's Team Sprint Cycling, as well as a silver in the individual 1km Time Trial. In Wheelchair Fencing, Italy's Bebe Vio successfully defended her gold medal in the Foil B individual event and earned an additional silver medal as a member of Italy's Foil B Team.

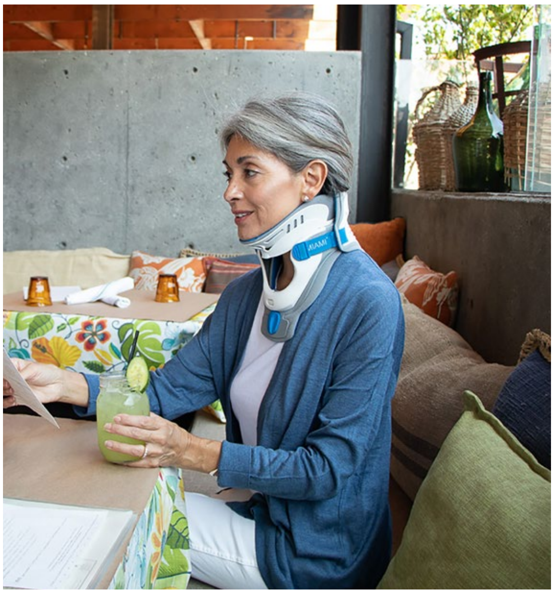
It was an extraordinary time for sport and the athletes who participated not only overcame the postponement of the Games, but also the considerable challenges of competing during a global pandemic. Their determination and resilience rose to new heights with incredible performances. If Össur athletes were counted as a country, Össur's gold medal wins would have ranked it as 13th overall among all 162 participating nations.

Markets

Össur operates within the global non-invasive orthopaedic industry, delivering advanced and innovative solutions within the prosthetics and bracing & supports markets.

Medical Device Market

Cardio-vascular	Ophthal-mology	General Surgery	Neurological Products	Orthopaedics	Diagnostics	Imaging & Other	Urology	Commodity Supplies
Arthroscopy	Reconstructive	Spinal	Trauma	Bracing & Supports	Prosthetics	Pain Management	Ancillary Products	Bone Growth



The Prosthetics Market

Prosthetics include artificial limbs and related products for individuals who were born without limbs or who have had limbs amputated. Össur offers a full range of premium lower and upper limb prosthetics, including feet, knees, hands, liners, and other components.

The size of the global prosthetics component market is estimated to be approximately USD 1.3-1.4 billion. Össur is the second largest company operating in Prosthetics with a market share estimated at 23-24%.

The growth rate of the prosthetics market is estimated to be 3-5%. We estimate that the market declined 6-7% in 2020 due to the COVID-19 pandemic but that the market was largely back to pre-COVID levels at the end of 2021.

Volume growth in the market is estimated to be moderate. Volume growth is determined by a relatively stable global amputee population and a moderate increase in the number of new amputees that get fitted with a prosthesis every year. Pricing in the prosthetics market is on average relatively stable. Growth in the prosthetics industry is mainly driven by increased utilization of higher quality prosthetics that lead to increased mobility and quality of life for the end-users as well as growth in emerging markets due to increased utilization of prosthetic solutions in the markets, better healthcare coverage and increasing disposable income.

Prosthetics Market

Market Size

USD billion
1.3-1.4

Market Share

23-24%

Market Growth

3-5%

Moderate volume growth ↗
Relatively stable pricing →
Positive product mix* ↑

Primary Sales Channels

Orthotic & Prosthetic clinics (O&P)

Source: Össur Management estimates
Note: Estimates only account for component sales from providers to suppliers, i.e. not clinical services
* Increased penetration of high-end innovative products

The Bracing & Supports Market

Bracing & Supports include products used to provide support for therapeutic and preventative purposes. Össur offers a comprehensive line of products with primary focus on osteoarthritis and injury solutions including devices supporting the spine, knee, hip, foot, ankle, and hands.

The size of the global bracing & supports product market that Össur operates in is estimated to be approximately USD 2.7-3.0 billion and Össur's market share is estimated at 5-7%.

The growth rate of the bracing & supports market is estimated to be 2-3%. We estimate that the market declined by 15-20% in 2020 as the demand for bracing & supports products is largely driven by injuries, surgeries, and physician access which was affected by the COVID-19 pandemic and the associated lockdowns, but we estimate that the market was largely at pre-COVID levels at the end of 2021.

Market growth is driven by a healthy volume growth in the bracing & supports market supported by global healthcare trends such as an aging and more active population. Price levels are relatively stable as bracing & supports products are reimbursed in most of the markets that Össur operates in. For some markets, there is moderate price pressure for selected product categories, mainly products of a lower innovation level. In addition, measures such as competitive bidding for off-the-shelf spinal and back braces in the US which came into effect in January 2021, puts further pressure on pricing for certain products. Increased amateur sports and activity levels, increased volumes of elective surgeries such as knee replacement surgeries, that drive demand for post-operative bracing solutions and the utilization of high-end innovative products such as the Unloader® OA bracing products support market growth in Bracing & Supports.

Bracing & Supports Market

Market Size

USD billion
2.7-3.0

Market Share

5-7%

Market Growth

2-3%

Moderate volume growth ↗
Relatively stable pricing →
Positive product mix* ↑

Primary Sales Channels

Orthotic & Prosthetic clinics (O&P)
Hospitals
Orthopaedic clinics

Source: Össur Management estimates
Note: Estimates only account for component sales from providers to suppliers, i.e. not clinical services
* Increased penetration of high-end innovative products

Orthopaedic Industry Stakeholders

In the orthopaedic industry, many stakeholders and decision makers are involved in the purchasing decision. Stakeholders can be categorized into five groups.

Orthopaedic Industry Stakeholders

End-Users	Prescribers	Providers	Payers	Influencers
Individuals that use the products.	Healthcare professionals who prescribe the products, based on the condition/ clinical indication of the end-user.	Healthcare professionals who provide end-users with products, such as CPO's, doctors, podiatrists.	Public and private insurance companies. Around 90% of Össur products are reimbursed by a third party.	Healthcare systems, insurance companies, medical associations, end-users and their families.

Industry Trends Create Opportunities

Economic development around the world and global macrotrends create demand and opportunities for growth. We have selected six trends that have a positive impact on demand for Össur's products and services:

An aging and more active population

- The global population of 65 and older is increasing and so is the amputee population
- A growing number of people afflicted by vascular disease, the leading cause of amputation
- An increased number of fractures, joint instability, and joint afflictions

A growing middle class in emerging markets

- Global economic growth will be powered by emerging markets
- Disposable income increasing in emerging markets, willingness to pay out-of-pocket
- Increasing healthcare coverage in emerging markets

Increased pressure on healthcare budgets

- Healthcare providers increasing efforts to manage cost
- Demand for cost effective solutions without compromising quality
- Consolidation in patient care

Increased penetration of new technologies and high-end products

- New innovative technologies being accepted for reimbursement
- Gradual transition from volume to value-based payment in healthcare
- Increased acknowledgment of total healthcare economic benefits of Bionics and OA bracing

Increasing regulatory requirements

- Investments in people and processes to adapt to changing healthcare requirements
- Product development to meet prevailing regulatory requirements
- Increasing importance of digital and personal data security

Improved treatment options

- Increasing healthcare coverage and better access to patients
- New amputees more often get fitted with a prostheses
- Innovative products enabling more amputees to benefit from using a prostheses

Business Model

Össur develops, manufactures, and brings to market a wide range of prosthetics and bracing & supports solutions with high standards of quality. These high-end products are developed with the objective to improve the mobility of end-users. The products are delivered to the end-users through healthcare providers who specialize in assisting individuals who suffer from movement impairment. Össur's products are in most cases reimbursed by public or private insurance. Every year, Össur makes a significant investment in research and development to further advance products and technologies for the benefit of all stakeholders.

Business Model

Innovation
- Technology trade-up
- High-end products

Manufacturing
- Consolidated footprint
- High quality and sustainability

Sales
- Direct Sales
- Distribution

Prescribers
- Surgeons
- Physicians
- Doctors

Providers
- O&P clinics
- Hospitals
- Retail

Payers
- Healthcare systems
- Insurance companies
- Out-of-pocket

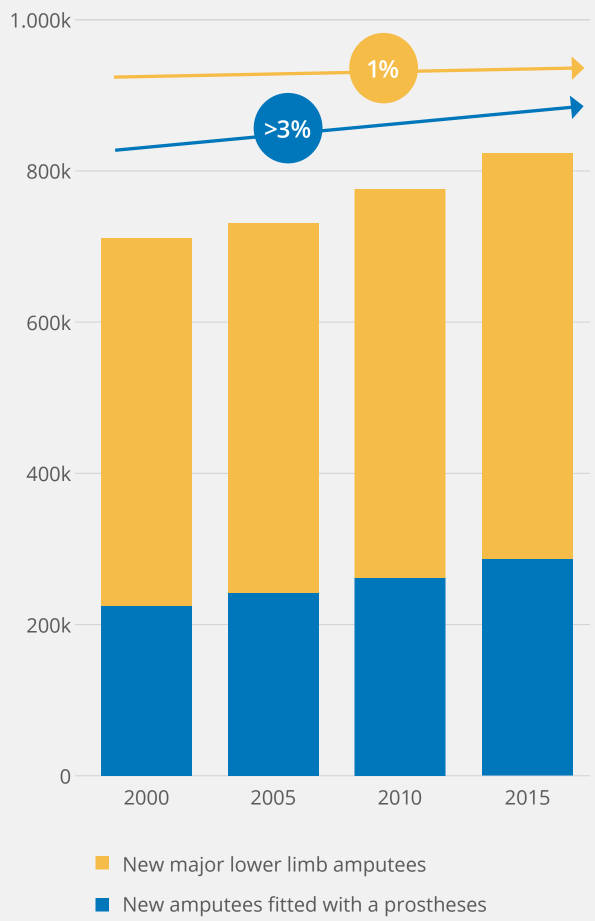
End-user
- OA
- Amputation
- Injuries

The End-Users

End-users include lower and upper extremity amputees who have lost a limb due to, for example, vascular diseases including diabetes, trauma, and cancer. They also include individuals who require support as they may have, for example, developed osteoarthritis in knee or hip ligaments, incurred temporary immobilization, or require enhanced healing after surgery.

By collaborating closely with the end-users, Össur gains a better understanding of their needs and challenges. In turn, Össur improves their mobility by providing new technologically advanced products to achieve their goals. The involvement with the end-user is not limited to research and development as there is also an aim to provide quality services, directly through clinics operated by Össur or indirectly through customer service programs.

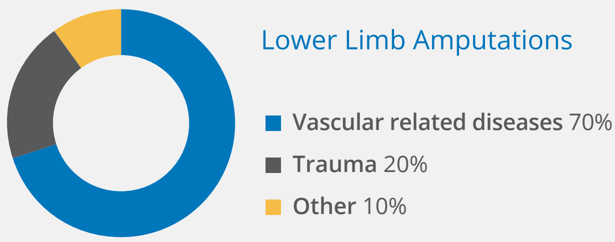
Prosthetics End-Users



Prosthetics End-Users

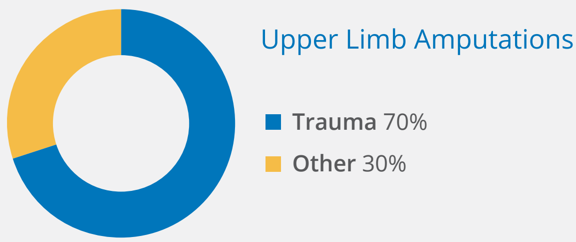
>750,000

New major lower limb amputees per year



>25,000

New upper limb amputees per year



30-40%

of new amputees are fitted with prosthetic solutions

65-70

is the average age of the amputee population

Source: Össur Management estimates

Manufacturing Locations

Research and Development

Össur develops Prosthetics and Bracing & Supports, from an idea to a finished product. With every product, the aim is to deliver cost effective medical solutions that provide value for end-users and the healthcare system. When a product is designed, Össur accumulates medical and biomechanical data during the development process to verify product safety and efficacy before the product launch. Also, to obtain independent clinical evidence for product outcomes as well as health economic data, Össur initiates and promotes clinical studies in cooperation with leading scientists, institutions, and healthcare professionals in the field.

Össur supports open collaboration within the industry and academia. An example of such an initiative is the collaboration between Össur and the Alfred Mann Foundation on the development and licensing of a myoelectric sensor system (IMES®). The solution utilizes implantable sensors that collect signals from the amputee's muscles and translate those into prosthetic movements.

Manufacturing and Quality

Össur maintains a strong global manufacturing function. Manufacturing of advanced prosthetic solutions, including bionics, takes place in Iceland and Scotland. Manufacturing of other prosthetics solutions, components and premium bracing solutions takes place in Mexico. Össur outsources the manufacturing of soft goods to China. At Össur, there is a continuous strive for efficiency, which includes finding ways to optimize the manufacturing process.

Great emphasis is placed on quality, and it is an intrinsic part of our processes. Össur has had a certified Quality Management system in place since 1993 which is based on ISO management standards and complies with the applicable medical device regulations in the countries that Össur operates in. Össur is certified to the global ISO 13485:2016 Medical Device Standard and the Medical Device Single Audit Program (MDSAP).

The new European Medical Device Regulation (EU) 2017/745 (MDR) came into effect in late May 2021. The aim of the regulation is to ensure patient safety, increase transparency, and to enhance the quality of medical devices. Össur was well prepared and fully ready for the regulation to take effect. The Company's extensive globally aligned quality management system has been updated to the MDR requirements and it has gone through a successful system audit by Össur's notified body BSI.

Sales and Marketing

Össur operates within a highly specialized industry where the primary customers are specialized healthcare providers who provide and fit individuals with Össur products. In Prosthetics these customers are Orthotic and Prosthetic (O&P) clinics and in Bracing & Supports it is a combination of O&P clinics, hospitals, and surgery centers. In a few selected markets, Össur operates its own O&P clinics. Össur largely sells its products through its own direct sales network.

Prescribers, Providers and Payers

Prescribers include healthcare professionals who prescribe products based on the clinical indication of the end-users. These include orthopaedic surgeons, non-surgical physicians, and emergency physicians as well as other professionals providing medical diagnosis.

Providers are healthcare professionals who provide end-users with prosthetic and bracing & supports products, and related services. These include certified prosthetists and orthotists (CPOs) working at O&P clinics, durable medical equipment (DME) clinics, orthopaedic clinics, and hospitals. Many providers not only recommend specific products but also fit and tailor-make certain products. For non-reimbursed products, a provider can be a pharmacy or a sports store.

Payers include healthcare systems and insurance companies. In most cases, when an end-user has been fitted with a product, Össur's customers claim reimbursement from the relevant public institutions or private insurance companies. Around 90% of Össur's products are estimated to be reimbursed by a third party but reimbursement systems vary substantially between countries. In other cases, the end-user pays for the products out-of-pocket.

MEMORABLE MOMENTS

1971

Össur was founded in 1971 by Icelandic prosthetist Össur Kristinsson, together with several Icelandic disability organizations. Initially, the company served only as a prosthetic clinic for the domestic Icelandic market.

1986

In 1986, **Össur Kristinsson developed the world's first silicone prosthetic liner called Iceross®**. This was the company's first patented invention and marked the beginning of Össur's commitment to innovation and technological advancements for the benefit of amputees around the world. Össur started its international expansion, in the same year as Össur received its first patent.

2000

Össur acquired Flex-Foot in 2000. Originally developed by Van Phillips in the 1980's, Flex-Foot prospered as the company that first brought carbon fiber prosthetic feet to the market. That formed the basis for further innovation and development by Össur of carbon fiber feet that continue to be recognized for function and quality the world over.

Since then, **Össur has grown** both through organic growth and external growth spurred by over 60 acquisitions in the past 20 years.

Strategy

Össur's mission is to improve people's mobility and our vision is to continue to be a leading company in the non-invasive orthopaedics market globally. Össur is a pioneer of advanced technology and by listening to our end-users and understanding their needs, as well as continuously improving and pushing the boundaries of technology, we continue to create some of the best products and services available in Prosthetics and Bracing & Supports. Our aim is to create a Life Without Limitations® for all our end-users.

Össur will continue to generate value for individuals and healthcare systems by focusing our business strategy on valuable product innovation, delivering profitable and sustainable growth, and efficiency.

Innovation

We execute ideas that add value

We embrace innovation in all our actions by creating value for our customers through technology trade-up and ease of doing business to ensure our consistently strong position in the market.

In 2021, Össur continued to invest around 5% of sales in research and development, amounting to USD 32 million, and launched 14 new products to the market.

In 2021, Össur's next generation Power Knee was introduced and received good feedback. The Power Knee is the world's first actively powered prosthetic knee. This new version of the knee is ideal for amputees seeking increased assistance from their prosthetic device and those who require better symmetry, more natural gait, and increased participation in the daily activities they enjoy. The introduction of the new Power Knee marks a new era in powered prosthetics and is the result of years of research and development expertise as well as patient and clinician feedback. Össur has championed actively powered knee technology for over 15 years, understanding that the added benefit of power improves patient's short and long-term outcomes.

Össur also successfully launched the new Sport Solutions offering that Össur and Nike partnered to design for athletes, leveraging Össur's expertise in running prosthetics with Nike's traction and sole technologies. Össur's renowned Cheetah® running feet design was improved and a specific long jump foot was included. The Cheetah® feet are compatible with the Nike Traction SoleX, an interchangeable sole system and a new generation of the Nike Spike Pad and five new alignment adapters were introduced.

In addition, Össur launched a variety of products within Bracing & Supports during the year. Amongst product launches were knee braces under the Rebound® umbrella, adding to a versatile portfolio of high-quality injury recovery solutions for all the stages of treatment, from rehabilitation to recovery.

Furthermore, Össur is creating solutions for ease of doing business for our customers, such as the Össur portal as well as applying innovative technology to enhance processes. Össur fosters an inclusive and innovative culture with its diverse workforce.

Össur has a strong IP portfolio, with more than 2,000 patents and patent applications and the Össur brand is protected by more than 500 trademark registrations. In 2021, the World Intellectual Property Organization (WIPO) ranked Össur second in the world for top patent applicants in conventional mobility assistive technologies.

Growth

We deliver profitable and sustainable growth

We will achieve profitable and sustainable growth by generating value for individuals, customers and healthcare systems.

Organic sales growth was 10% in 2021 in line with the guidance for the year. Organic growth was especially strong in the EMEA and APAC regions apart from Australia that was more affected by the COVID-19 pandemic. Although affected by the pandemic, sales in Americas, our largest market, continued to normalize. Bionic sales growth was strong in all regions towards the end of the year, indicating that Bionics are back on track. This reconfirms our belief that the long-term prospects and underlying fundamental drivers of the prosthetics and bracing & supports markets are not expected to change. We have taken on challenges presented by the COVID-19 pandemic throughout the year and managed to maintain our product supply and continued our investments in our global growth platform as well as in research and development.

Össur has grown through a combination of organic and acquisitive growth with a Compounded Average Sales Growth rate of 17% since the Company was listed in year 1999. Össur's main growth priorities are Technology Trade-up, Emerging Markets, partnership services and solutions and acquisitions.

Össur's strategy includes exploring growth opportunities through acquisitions that support our vision of being a global leader in non-invasive orthopaedics. In the past years, Össur has both acquired and divested part of the business to strengthen the focus and support future growth of Prosthetics and Bracing & Supports.

Emerging Markets offer a significant growth opportunity as penetration of prosthetics and bracing & supports products is still relatively low. We continued to invest in growing our Emerging Markets platform and further strengthened our direct sales and infrastructure.

Efficiency

We conduct business efficiently

We run efficient operations in the most optimal locations, hire passionate employees and deliver strong profit and cash flow through manufacturing and operational efficiency.

Gross profit for 2021 amounted to 63% of sales compared to 62% of sales for 2020. Össur's manufacturing sites and warehouses operated at normal capacity, within local COVID-19 restrictions, but the gross profit margin was affected by temporary variable cost increases and related negative impact on productivity.

The EBITDA margin for 2021 was 21%, in line with the guidance for the year. The EBITDA margin is slightly below a normalized level, mainly due to the slow-down in sales as a result of COVID-19 impact on sales in the second half of 2021, in addition to supply chain related cost increases. Furthermore, throughout the COVID-19 impacted period, Össur has continued to invest in research and development, made investments in digitalization initiatives and grown the infrastructure in Emerging Markets by going direct in seven new markets in the Eastern part of Europe in 2021.

Össur has been investing in an increasingly scalable infrastructure. As an example, the global manufacturing platform is consolidating with about 12 fewer locations since the year 2009. Investments have been made in centralized procurement (strategic sourcing) and implementation of a new CRM platform. The shared service center in Poland supports around 60% of Össur's entities and the global IT department which is supporting the majority of Össur's entities. Össur emphasizes manufacturing efficiency and a continuous improvement culture while protecting the environment. Össur has been actively reducing the carbon footprint of the Company and reached the milestone of being Carbon Neutral in 2021.

Innovation

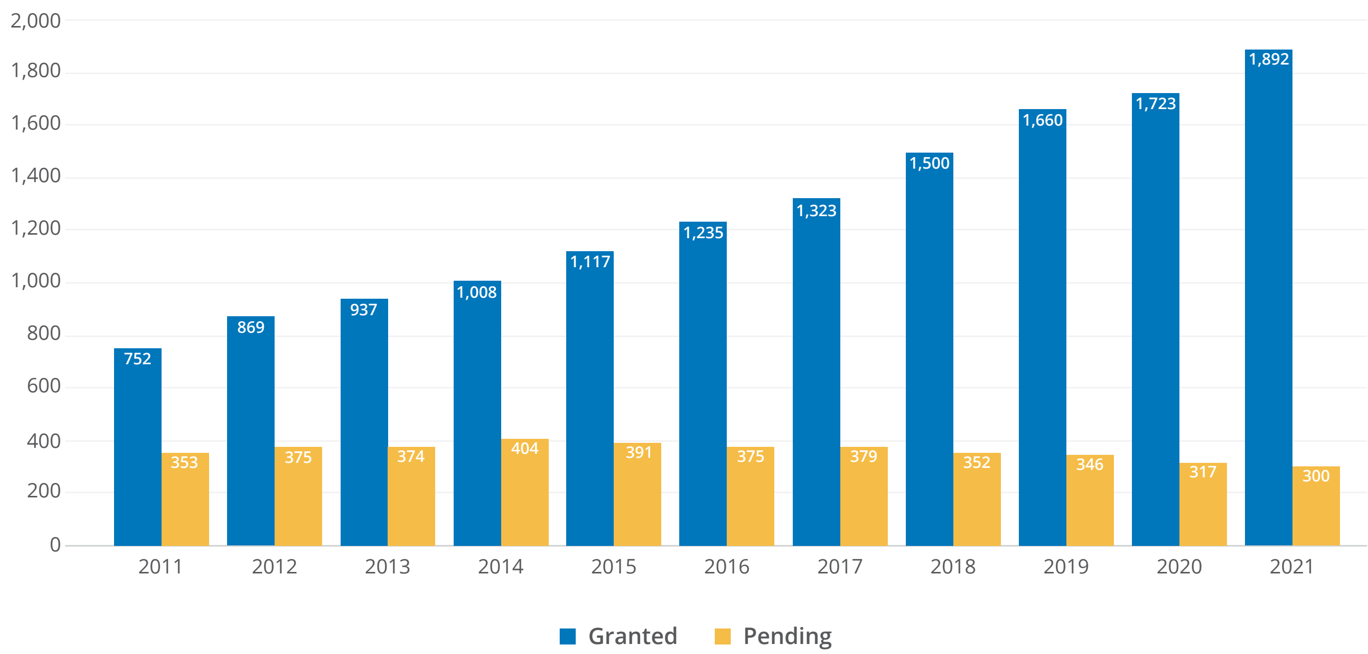
Strong Intellectual Property Portfolio

Protecting our innovation with a strong and sustainable intellectual property portfolio has been a part of Össur's strategy since its foundation. We utilize IPR protection extensively throughout our operations where patents, design registrations and trademarks are strategically used to protect the Össur brand and the majority of our products and technological advances.

At year-end 2021, Össur had around 2,000 granted patents and 300 patent applications pending. Furthermore, the Össur brand is protected by more than 600 trademarks and 250 domain registrations worldwide.

In 2021, the World Intellectual Property Organization (WIPO) published a first of its kind comprehensive report, titled WIPO Technology Trends Report 2021: Assistive Technologies. This is the first study which systematically investigates patenting and technological trends across the field of assistive technology at scale, analyzing data on patent filings from 1998-2019. Key findings in the report show that Össur ranks second in the world for top patent applicants in conventional mobility assistive technologies. Össur was also listed among the top applicants in patent filings for advanced prosthetics and exoskeletons and ranks 12th in the world among top patent applicants for emerging mobility assistive technologies. WIPO's acknowledgment of Össur's contribution to innovation confirms our industry leadership in research and development and emphasis on intellectual property driven development.

Patent Portfolio



Prosthetics

Technology trade-up through innovation has always been at the core of Össur's strategy. Applying vast knowledge and expertise accumulated over the years in proven technology platforms is the foundation for new products and solutions that are brought to market regularly. In 2021, eight new prosthetic products were launched.

Since the launch of the first Power Knee™ fifteen years ago, Össur has championed actively powered knee technology in Prosthetics, understanding that the added benefit of power improves patients' short and long-term outcomes. In 2021, a new, next generation Power Knee™ was introduced. The prosthetic knee is ideal for amputees seeking increased assistance from their prosthetic device, and for those who require better symmetry, a more natural gait, and increased participation in the daily activities they enjoy. The introduction of the new Power Knee™ marks a new era in powered prosthetics and is the result of years of research and development expertise, as well as patient and clinician feedback.

One of the other highlights of the year was the release of the new Sport Solutions offering. Össur and Nike partnered to design a new offering for athletes, leveraging Össur's expertise in running prosthetics with Nike's traction and sole technologies. Össur's renowned Cheetah® running feet now have an improved design, and also include a specific long jump foot. The Cheetah® feet are compatible with the Nike Traction SoleX, an interchangeable sole system. Additionally, a new generation of the Nike Spike Pad has been introduced, as well as five new alignment adapters, for quicker set up and optimal alignment of the blades.

This year, a global team of athletes who wear Össur's renowned Prosthetics, won 28 medals and set new World and Paralympic Records during the 2020 Tokyo Paralympic Games. Athletes using Össur's iconic carbon fiber Cheetah® sports blades, easily identified by their yellow stripe, dominated several categories of competition, particularly Athletics.

Constant exploration of innovative technologies aimed at improving end-users' mobility is crucial for sustaining a successful long-term strategy. To ensure Össur's continued leadership in the innovation of mobility solutions, a new Center for New Technologies within Össur's research and development department, will focus on advanced innovative solutions and technologies that will feed into product development, as well as invest in projects for the exploration of future prosthetic platforms.

Bracing & Supports

Össur launched six bracing & supports products during the year. Amongst the new additions to our portfolio were knee braces that are a part of Össur's Rebound® injury solution brand. The Rebound® Dual Basic and Rebound® Recover braces offer the value and simplicity needed to navigate the complex treatment landscape of braces needed from rehabilitation to recovery. Within the versatility of the Rebound collection, Össur offers high quality recovery solutions from a single source, to help end-users transition back to their active life.

Following significant effort in systematically re-evaluating the rapidly evolving market landscape, Össur has reshaped the approach to product development in Bracing & Supports. A new value engineering process has been employed to provide a reliable, available and profitable portfolio that is less complex and improves the environmental sustainability of bracing. The same methodology was applied across the whole bracing & supports product offering, resulting in numerous potential projects.

Össur Bracing & Supports will continue to innovate and deliver unmatched value for our customers and strive to improve the mobility of our end-users.

MDR Compliant Design and Development Process

The new European Medical Device Regulation (EU) 2017/745 (MDR) came into effect in late May 2021. The aim of the regulation is to ensure patient safety, increase transparency, and to enhance the quality of medical devices. The regulation introduces a large-scale change to the regulatory framework of medical devices sold in the European Union, including, but not limited to: increasing requirements for clinical investigations and evaluations, strengthening of post-market surveillance, new labeling requirements, and introduction of a unique device identifier (UDI). Össur was well prepared and fully ready for the regulation to take effect. Every aspect of the design and development process, including clinical investigations and evaluation, has been updated and product documentation has been revised. Össur has received an MDR certificate for the new innovative bionic knee products (Power Knee™ and Mobili Knee™).

MEMORABLE MOMENTS

1996

In 1996, Jon Sigurdsson was hired as Össur's President & CEO. He led the company during its successful growth journey and was named among the 20 greatest business thinkers in the Nordics in 2013.

2009

After its initial listing on the Iceland Stock Exchange in 1999, Össur expanded rapidly through a series of strategic acquisitions. Significant ongoing investment in research and innovation has also been central to its growth and award-winning designs have ensured a consistently strong position in the market. In 2009, Össur was listed on Nasdaq Copenhagen and celebrated its 20-year listing anniversary at Nasdaq in New York in 2019.

WIPO
WORLD
INTELLECTUAL PROPERTY
ORGANIZATION

2021

Össur now has more than 2,000 patents and patent applications and the Össur brand is protected by more than 500 trademark registrations. In 2021, the World Intellectual Property Organization (WIPO) ranked Össur second in the world for top patent applicants in conventional mobility assistive technologies.

50 1971-2021 | ÖSSUR® LIFE WITHOUT LIMITATIONS

People

At Össur we nurture a spirit of innovation; we offer a flexible, open and vibrant environment where each employee can achieve their full potential. We live by a set of values that are the foundation for our strategy and success. Our core values are Honesty, Frugality, and Courage; and these values guide our decisions. We live these values every day in everything that we do—in our interactions with colleagues and customers, and in our work efforts.

We have around 4,000 employees working in 35 countries. While we are a diverse company, we work as one to improve people's mobility. Different ideas and points of view are beneficial to our business, and we believe in creating an environment where diversity, knowledge, skills, and strengths are fully utilized. As individuals, our employees can expect fair and equal treatment and equal opportunities for growth within Össur. Our employees take responsibility, both for their current job and for their career advancement. We offer various learning opportunities, so employees can build lasting and rewarding careers with us.

We measure our employees' engagement at least once a year and we are proud that our engagement and employee satisfaction is high. Our employees' passion, drive, and capabilities to help our customers are our greatest assets.

We have a Competency Framework within Össur that allows us to identify the behaviors that drive successful performance and supports our business strategy. Our competencies are collaboration, communication, driving results, customer focus and change. We have annual performance reviews, where we review the performance of the past year and plan for the performance of the coming year. Regular check-ins are encouraged between employees and managers to discuss both performance and development of our competencies which are supported by Össur's Development Guide that lists training and development opportunities for each competency. All employees, regardless of their role or location, have access to thousands of on-line and virtual courses to learn and grow. All leaders go through our LEAD program, a global leadership development program. We also offer mentoring, 360 assessments, and 1:1 coaching to support the development efforts and to further grow our talented employees.

Össur recruits competent and ambitious individuals who can work on demanding projects, and we are proud that we've been able to provide advancement opportunities for our talented employees. Our hiring decisions are based on the skills and abilities we need to grow the business and our global team of talented professionals is passionate about helping people live a Life Without Limitations®.

If you are interested in joining our team, you can view and apply for an open position here on Össur's applicant portal.

ÖSSUR®
LIFE WITHOUT LIMITATIONS

VALUES

HONESTY
Stay True

FRUGALITY
Make Every Step Count

COURAGE
Aim Higher

Diversity, Equity and Inclusion

Every day, we interact with people from a wide range of cultures and backgrounds. We do business in numerous locations around the world, working and communicating with many different colleagues, customers and other stakeholders in our industry.

Diversity, equity and inclusion are extremely important to us. At Össur, we have a passion for helping people pursue a Life Without Limitations®. We celebrate different ideas, perspectives and backgrounds. We are committed to creating a culture of acceptance and belonging, while proudly serving as a diverse, global community. To make a difference in this world, we embrace differences within the world.

We monitor and measure diversity and inclusivity on a continuous basis, making sure it is part of our company culture. We included questions on diversity and inclusion in our annual workplace survey. We have increased training opportunities on diversity, equity and inclusion in our online learning system and we have a diversity dashboard available for our leaders so they can monitor the diversity of their teams. We offer flexible work arrangements for positions that can be done remotely, so employees have the ability to more flexibly manage how and where they work, a benefit that many employees appreciate.

As part of our efforts to be an employer of choice in all markets and support diversity outside our organization, we launched the Össur Give Back Program in 2021, providing all employees with the opportunity to give back to their community by offering one volunteer day per year.

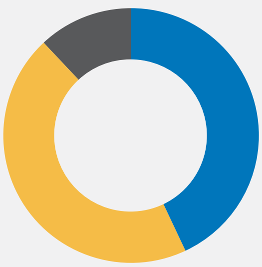
Diversity, Equity and Inclusion

Gender Ratio

- Male 53%
- Female 47%

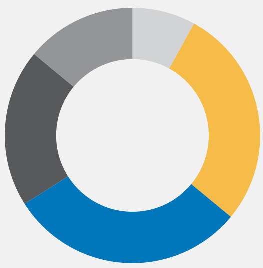
Female in Management Positions

38%



Education

- University Degree 44%
- Other 46%
- Vocational or Technical Training 10%



Age

- 16-25 7%
- 26-35 28%
- 36-45 29%
- 46-55 20%
- 55+ 16%

Össur Give Back Program

Össur has long placed emphasis on making a positive contribution to the local communities where we do business.

Introduced in 2021, the Össur Give Back Program offers all employees globally, one volunteer day per year to give back to their communities. We encourage our team members around the world to work with local causes and charities to make a difference.

In its first year, the Give Back Program was well received by Össur employees who participated in volunteer activities in their communities.

Diverse causes and charities benefited from donated working hours, such as the following:

- South Jersey Food Bank
- Newburgh Farm and Food Initiative
- Woodstock Farm Sanctuary
- Beach clean-up in Southern California
- Park clean-up in Ohio
- Cathedral Kitchen in New Jersey
- River Kids Charity in Scotland
- Reykjadalur summer camp for disabled kids and youngsters
- Reykjavik Forestry Association
- Beach clean-up on the Reykjanes Peninsula
- Iceland Family Aid
- Forest clean-up in Poland
- Sports day for the visually impaired in the Netherlands
- China Association of Persons with Physical Disability

ÖSSUR GIVE BACK PROGRAM

Ramp Up Reykjavik

Another community initiative Össur participated in was the Ramp Up Reykjavik project. Initiated in March 2021, the goal was to help local businesses in Iceland to install wheelchair ramps to improve accessibility for people with disabilities. Össur was one of the founding members of the project, spearheaded by entrepreneur Halli Thorleifsson. Not only did the project meet its initial goal of installing 100 ramps around the capital four months ahead of schedule, but the surplus funds will also be used to fund additional ramp access in Reykjavik and other towns in Iceland. “All the founding members, planning authorities, restaurants and shops in the area really pushed the boat out to get the ramps set up and we had a lot of support from the start,” said Halli Thorleifsson.

Össur Mobility Clinics

For over 25 years, Össur has partnered with the Challenged Athletes Foundation to host running and mobility clinics. Held at various locations across the US, throughout the year, these free clinics provide opportunities for amputees to learn techniques from world-renowned gait experts, Össur athletes and CAF mentors with the goal of helping individuals move better and more confidently with their prosthesis.

Össur Mobility Clinics have also been held in South Africa, Australia, and other countries over the years. In November 2021, a successful Össur Mobility Clinic was held in South Africa and the participants were excited to be with their peers for the first time in over two years. The event was an inspirational and supportive forum connecting people of all ages and abilities.

MEMORABLE MOMENTS

Össur's extensive bracing range dates back to the first prototype of the CTi® ligament which was created in 1981 and the Unloader brace which began with a prototype of plastic and metal in 1986. The Unloader One® brace has developed into a world-class, clinically proven, biomechanical treatment option, used by osteoarthritis sufferers around the world.

Össur has also launched notable braces such as the Rebound® Cartilage, Rebound® PCL and Rebound® ACL and won numerous awards and recognition over the years for its bracing portfolio.

50 1971-2021 | ÖSSUR® LIFE WITHOUT LIMITATIONS

Risk Management

Five Key Risks

An investment in Össur involves various risks as the business, financial conditions, and results of operations rest upon certain assumptions and could be negatively affected if any of the factors described in this chapter occur. Össur has chosen to highlight five key risks which are currently considered the most relevant, including impact of the COVID-19 pandemic although the long-term prospects and underlying fundamental drivers of the prosthetics and bracing & supports markets are not expected to change.

Össur cannot ensure that the given assumptions for the description of the risks are correct. Additional risks and uncertainties listed on Össur's corporate website, as well as risks that Össur currently deems immaterial or are not presently known to us, may adversely affect our business operations and financial results, to an even greater extent than the five key risks identified here.

I. Changes in Reimbursement

Description

Most of Össur's products and services are reimbursed by third-party payers, including both government healthcare programs and private health insurance plans. Third-party payers continue to develop methods of controlling healthcare costs, including reviews of claims, selective contracting, and competitive bidding. Össur's business depends on understanding and adapting to reimbursement and insurance plans in all global markets of our business operations.

Potential Impact

These cost-control methods may limit or even eliminate the coverage and the amount of payment for which third-party payers may be willing to pay for Össur products and services. As a result, customers may reduce or eliminate purchases and sales may decline significantly. Reviews of claims may lead to repayment of prior sales. Finally, failing to understand and adapt to changes in reimbursement systems, may affect Össur's license to operate and thus affect our sales.

Mitigative Actions

Össur only brings products and services to the market that address medical indications, and which are clinically validated. Össur applies its reimbursement knowledge from the earliest stages of product development to the post-sale education of customers. Össur also pursues several strategies to manage the reimbursement of its products and services.

II. Regulatory Requirements

Description

Össur's medical devices are subject to extensive global regulations by the respective authorities in countries where Össur conducts its business. Such regulations can restrict virtually all aspects of a medical device's design and testing, manufacturing, safety, labeling, storage, recordkeeping, reporting, clearance and approval, promotion, distribution, and services. Össur's international footprint is growing in new emerging markets. These markets are characterized by more complex regulations, business volatility and unpredictability, and interactions with government officials, new market participants, business partners, and other third parties.

Potential Impact

Failure to comply with the regulatory requirements of the applicable authority may subject Össur to fines, penalties, sanctions, or product withdrawal. Össur's failure to comply with regulatory requirements or receive regulatory clearance and approval for its products or operations could adversely affect Össur's sales and potential for future growth, threaten Össur's license to operate in the respective market, and affect our reputation and brand.

Mitigative Actions

Össur maintains a robust global quality system that complies with international medical device standards and is an intrinsic part of Össur's internal processes. Össur also has a global regulatory compliance program, including a new Code of Conduct, in which our employees identify, assess, manage, and report potential risks from international and local regulations in the countries where Össur markets and sells medical devices.

III. Össur May be Unable to Develop or Secure the Use of New Technologies

Description

Össur operates in markets that are characterized by rapid technological change, driven by extensive research that is carried out by market participants. Technological innovation takes place at various stages in Össur's value chain and may include individual components, design, and functionalities of Össur products and services.

Potential Impact

The development by any suppliers or competitors of substitute products or components that better satisfy market demands could have a material adverse effect on Össur's business and results of operations. A failure to develop new products or enhance existing products could also have a material adverse effect on Össur's operations and potential for future growth.

Mitigative Actions

Össur's significant investment in research and development and constant strive to finding new technologies, has resulted in a vast IP portfolio and a strong position to compete with potential new entries. External connections and appeal to universities, research institutes and investors provide Össur with the opportunity to stay informed and review emerging innovation as part of acquisitions or research cooperation initiatives.

IV. Industry Consolidation and Forward Integration

Description

Major shifts in Össur's marketplace include the consolidation of prosthetics manufacturers in recent years and the additional momentum that forward integration is gaining in the industries where Össur operates, which involves acquiring service providers in the O&P industry. Given the nature of acquisitions, it is uncertain to what degree Össur will be able to participate in further consolidation and to what degree forward integration will affect Össur's operations.

Potential Impact

The consolidation has been a material contributor to the external growth of Össur in the past. If Össur were not to participate in further consolidation or forward integration, it might limit Össur's potential for future growth. In addition, these shifts may impact the competitive landscape of the industries and the associated market shares. Changes in the industry may furthermore impact Össur's customers.

Mitigative Actions

Össur continuously reviews value enhancing acquisitions and investment opportunities in its business segments and keeps a good relationship with the relevant stakeholders in the industry. Össur operates its own clinics in certain regions and has partnership programs in place with patient care providers to offer end-users quality products and services.

V. Impact of the COVID-19 Pandemic

Description

The COVID-19 pandemic affects Össur's business and operations as well as our suppliers, business partners, customers, end-users, and employees. Össur is operating in a new working environment, both from home and in the office, maintaining employee health and morale, and avoiding issues in IT and infrastructure. Attracting and retaining talent remain essential.

Potential Impact

COVID-19 can impact our sales as measures to control the pandemic can affect demand and the ability to service our customers and end-users. The pandemic may impact global supply chains, adversely affect access to raw materials and components, cause delays in deliveries and increase our cost. Working from home may increase our exposure to information security threats and data breaches. The chance to fraud and other misconduct increases, as the usual people, protocols, and controls in place are not on site to act. Inability to attract and retain talent may result in knowledge loss, decreased productivity, and lost sales.

Mitigative Actions

Primary focus is on business continuity and the safety of employees, customers, and end-users. We have maintained our operations throughout the pandemic, prioritizing production and product availability, and ensured that guidelines from local and global healthcare authorities are being followed. We work closely with our stakeholders to professionally and timely adapt to changes and challenges. Össur supports employees working from home with up-to-date IT systems and security. We have policies, processes, and controls to detect and prevent misconduct. Finally, new, and creative ways of working together are developed and stimulated to secure health and safety, and employee morale.

Other Risks

Össur is exposed to a range of other risks, a list of which is available here on Össur's website.

Shareholder Information

Össur's share price decreased by 13% in 2021, compared to a 19% increase of the OMXC25GI index, a leading index for the Danish equity market.

Össur's shares are listed on Nasdaq Copenhagen. Össur was the 32nd largest company of 125 companies listed on Nasdaq Copenhagen when measured in terms of market value at year-end 2021.

The share capital of Össur is ISK 423,000,000 nominal value, divided into the same number of shares. There is only one class of shares and all shares carry one vote, besides treasury shares that do not carry voting rights.

Key Information Table

Market	ISIN	Ticker	Industry	No. of Shares
CPH (DKK)	IS0000000040	OSSR	Healthcare	423,000,000

Össur's largest shareholder is William Demant Invest A/S (WDI) which held 52% of the total shares and 52% of the voting rights at year-end 2021. WDI has been a shareholder in Össur since 2004. In an announcement from WDI on 4 January 2018, when their ownership in Össur crossed the 50% threshold, it was stated that the intention was to hold 50-60% of Össur's shares going forward. Apart from Össur, the fund's investment activities include holdings in Demant, a leading provider of hearing aids, as well as Vision RT, Vitrolife, Cellavision, Revenio, Jeudan, Invisio, Founders and Borkum Riffgrund.

Ownership Structure

William Demant Foundation

100%

William Demant Invest

Strategic Long-Term Investments

Demant 55-60%
ÖSSUR 52%
Visionrt 89%
Vitrolife 27%
Cellavision 20%
Revenio 14%
Invisio 7%
Jeudan 42%

Renewables

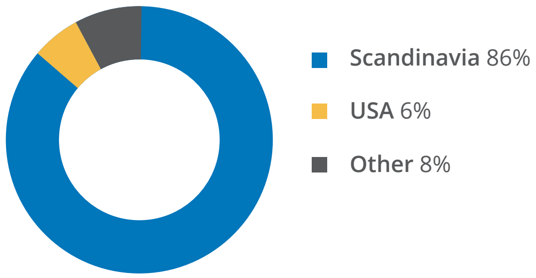
Borkum Riffgrund 19%

Other Investments

Founders 33%

In addition, ATP Pension Fund and The Pension Fund of Commerce had announced holdings above 5% in Össur at year-end 2021.

Shareholders

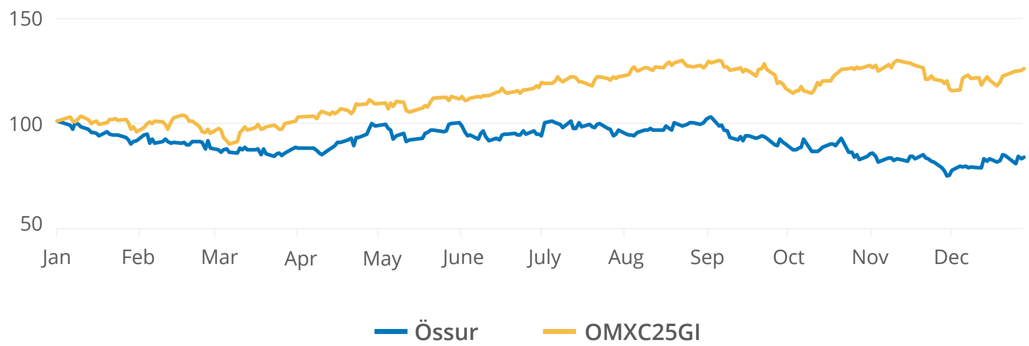


At year-end, about ~86% of Össur's shareholders were located in Scandinavia. The remaining ~14% of the shares are held by investors residing in other countries.

Share Performance

Össur's share price decreased by 13% in 2021, from DKK 48.5 per share at year-end 2020 to DKK 42.3 per share at year-end 2021. Össur's market capitalization was DKK 17.9 billion (USD 2.7 billion) at year-end 2021 compared to DKK 20.5 billion (USD 3.4 billion) at year-end 2020.

Share Performance (Indexed)

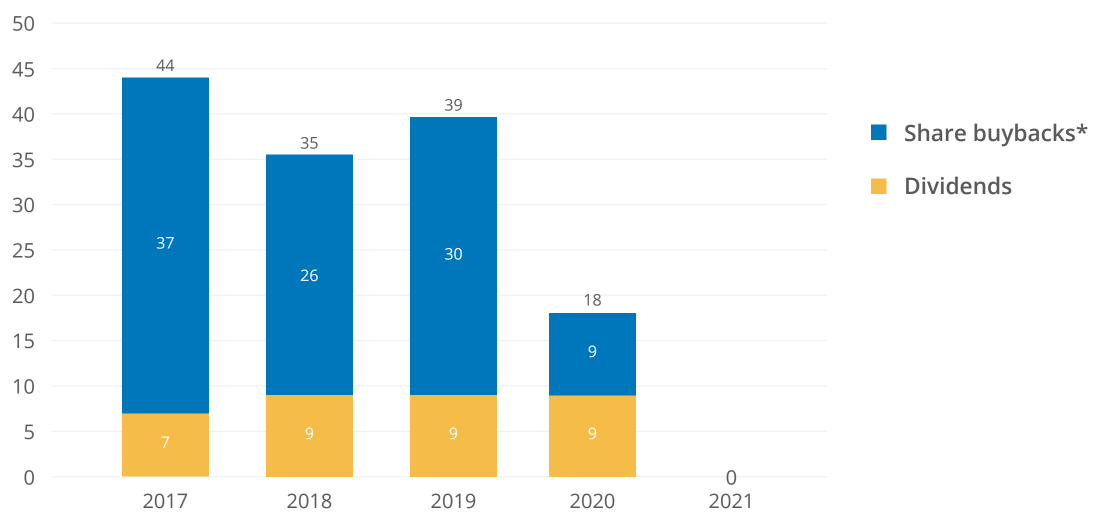


Capital Allocation

With emphasis on growth opportunities, value-adding investment opportunities and acquisitions, Össur has decided to discontinue dividend payments and focus on returning excess capital to shareholders via purchase of own shares in accordance with the Company's updated Capital Structure and Capital Allocation Policy. Therefore, the Board of Directors will not propose to the Annual General Meeting in 2022 to pay a cash dividend.

Össur's share buyback program will shortly commence again. The share buyback program was put on hold on 17 March 2020 due to the impact of the COVID-19 pandemic, as the net interest-bearing debt to EBITDA ratio was temporarily above the target level. The net interest-bearing debt to EBITDA was within the target range at year-end 2021, at 2.4x. The purpose of the share buyback programs is to adjust the capital structure in line with the desired level of net debt to EBITDA. At year-end 2021, treasury shares totaled 739,862. The Board of Directors will not propose to the Annual General Meeting 2022 to reduce the share capital by way of cancelling shares as Össur's current shareholding will be utilized to meet share option obligations.

Share Buybacks and Dividends



Over the last five years, Össur has paid out USD 136 million to its shareholders.

*The share buyback program will commence again in 2022. The share buyback program was put on hold on 17 March 2020 due to the impact of the COVID-19 pandemic, as the net interest-bearing debt to EBITDA ratio was temporarily above the target level

Annual General Meeting

According to the Articles of Association, the Annual General Meeting (AGM) shall be held before the end of April. Össur's AGM will be held on 8 March 2022. The meeting is convened with at least three weeks' notice. The AGM results are sent to the news system of Nasdaq immediately following the meeting and are also made available on Össur's website.

Financial Calendar

Annual General Meeting
8 March 2022

Interim Report Q1 2022
26 April 2022

Interim Report Q2 2022
21 July 2022

Interim Report Q3 2022
25 October 2022

Interim Report Q4 2022 and Annual Report 2022
31 January 2023

Annual General Meeting
10 March 2023

Investor Relations

Össur's policy is to disclose financial and corporate information to provide investors, analysts, and other stakeholders with comprehensive and accurate information to help them understand Össur's current and expected developments. Six sell-side equity analysts currently cover Össur.

Financial reports, announcements, presentations, the financial calendar, upcoming events, share information, and other information is available here on Össur's website.

Contact Investor Relations

Edda Lára Lúðvígsdóttir, Investor Relations Director
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Tel.: +354 844 4759

Corporate Sustainability

Össur emphasizes Corporate Social Responsibility through active employee involvement throughout the Company. Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. In 2019, Össur evaluated its impact on the UN Sustainable Development Goals (SDGs) and choose four goals to specifically contribute to. Össur has published a separate Corporate Sustainability Report (CSR) which discusses initiatives and progress in more detail.

Össur's sustainability vision is to provide products and services that contribute to good health, using responsible production methods and supporting climate action, while being a sponsor for gender equality.

3 GOOD HEALTH AND WELL-BEING

Access to healthcare for elderly amputees

5 GENDER EQUALITY

Our ongoing commitment to gender equality

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reducing the environmental footprint of our products

13 CLIMATE ACTION

Actively working towards carbon neutral operations

Össur's Contribution to the UN Sustainable Development Goals (SDGs)

Össur's largest impact on society is through the Company's innovative products, research activities and expertise in the field of Prosthetics and Bracing & Supports. Össur works with individuals, clinicians, and diverse communities around the world to support a better quality of life and to increase the mobility of millions of people. Consequently, Össur's greatest impact is on Goal 3, Good Health and Well-Being. Additionally, Össur contributes to Goal 5 on Gender Equality, Goal 12 on Responsible Consumption and Production and Goal 13 on Climate Action.

Össur's Key Performance Indicators (KPI's) are monitored and reported to the Executive Management. The KPI's reflect Össur's commitment to the UN Global Compact and the UN Sustainable Development Goals.

Contribution to UNGC and SDGs		KPI	2021
Principle 6 **SDG 5**	5 GENDER EQUALITY	Gender split among employees	M53% / F47%
		Female managers as % of total number of managers	38%
Principle 10		Code of Conduct training*	n/a
		Anti-bribery and corruption & competition training for at risk employees*	n/a
Principle 7,8,9 **SDG 12, 13**	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Carbon neutral operations**	Yes
		Electricity purchased from renewable energy sources	99%
SDG 3	3 GOOD HEALTH AND WELL-BEING	Total Recordable Incident Rate, TRIR ***	0.5
		New products specially designed for elderly end-users	3
		Ongoing prosthetic studies which will inform developers about the elderly customer group	30%

*   KPI established in 2021. New Code of Conduct was launched at the end of 2021 and training will take place during 2022.
** Össur was Carbon Neutral, for Scope 1 and 2, and selected Scope 3 emissions, following the Greenhouse Gas Protocol
*** Recordable Incidents per 100 FTE's

Össur Was Carbon Neutral in 2021

In recognition of our commitment to sustainable development and to commemorate the Company's 50th anniversary, Össur was Carbon Neutral in 2021, also referred to as Net Zero, for Scope 1 and 2, and selected Scope 3 emissions, following the Greenhouse Gas Protocol. This represents Össur's direct and indirect energy and fuel consumption, business travel, transportation of goods, electricity consumption of finished goods suppliers and waste treatment.

In 2021, Össur's greenhouse gas emissions were 47% lower than in 2019, the baseline year. The largest contribution to these significant results was the commitment to purchase electricity from renewable energy sources. The remaining emission was offset through VCS and Gold Standard emission reduction projects to support the UN Sustainable Development Goals.

Össur partnered with First Climate, a leading service provider of carbon emissions management, to achieve carbon neutrality.

Environment

The below reporting on environmental metrics is in accordance with the Nasdaq ESG guidance. Össur strives to continuously improve its Greenhouse Gas emission reporting with more extensive data from suppliers and service providers. Further details on environmental initiatives are discussed in Össur's Sustainability Report.

Environment				
Össur's Environmental metrics are connected to the following frameworks: UNGC P7,P8 and SDG 12, 13		**2021**	**2020**	**2019**
E - 1	**GhG Emissions in tonnes CO2 equivalents (tCO2e)**			
1.1	**Scope 1 - Direct emissions, tCO2e**	**1,700**	**1,800**	**2.000**
	Gas consumption for heating	500	500	500
	Fuel consumption in vehicle fleet	1,200	1,300	1.500
1.2	**Scope 2 - Indirect emissions, tCO2e - Market based***	**250**	**5,000**	**5.000**
	Purchased electricity and heat - Location-based	5,000	5,000	5.000
	Purchased electricity and heat - Market-based*	250	5,000	5.000
1.3	**Scope 3 - Other relevant indirect emissions, tCO2e**	**9,970**	**9,330**	**15.490**
	Finished Goods Suppliers electricity consumption**	290	2,200	2.600
	Transportation of goods	7,950	4,700	5.800
	Waste treatment	130	130	190
	Business travel (Air, hotels, trains)	1,600	2,300	6.900
	Total emission - Scope 1, 2, 3, (Market based), tCO2e	**11,920**	**16,130**	**22.490**
	Retired Carbon Credits from emission reduction projects, tCO2e	11,920		
E - 2	**Emissions Intensity**			
2.1	**Total GhG emissions per revenue, tCO2e/USD Million**	**17**	**26**	**33**
	Revenues (USD Million)	719	630	686
E - 3	**Energy Usage**			
3.1	**Total energy directly consumed (MWh)**	**7,100**	**7,030**	**7.840**
	Gas consumption for heating	2,300	2,230	2.340
	Fuel consumption of vehicle fleet	4,800	4,800	5.500
E - 4	**Energy Intensity**			
	Total energy directly consumed per revenue, MWh/USD Million	10	11	11
E - 5	**Energy Mix**			
	% electricity from renewable energy sources ***	99%	24%	n.a.
	% electricity from other energy sources	1%	76%	n.a.
E - 6	**Water Usage**			
6.1	Total amount of water consumed (m3)	92,000	89,700	95.400
E - 7	**Environmental operations**			
7.1	Does Össur follow a formal Environmental Policy?	yes	yes	yes
7.2	Does Össur follow specific waste, water, energy, and/or recycling polices?	yes	yes	yes
7.3	Does Össur use a recognized energy management system?	yes	yes	yes
E - 8	**Climate Oversight / Board**			
	Does Össur Board of Directors oversee and/or manage climate-related risks?	no	no	no
E - 9	**Climate Oversight / Management**			
	Does Senior Management Team oversee and/or manage climate-related risks?	yes	no	no
E - 10	**Climate Oversight / Management**			
	Total amount invested, annually, in climate-related infrastructure, resilience, and product development	n.a.	n.a.	n.a.

* According to the GHG Protocol Scope 2 Guidance, for the market-based method, all electricity purchased with canceled Energy Attribute Certificates (EACs) have an emission factor of 0

** Össur purchased Energy Attribute Certificates (EACs) for the electricity used in the production of Össur purchased finished goods under the Össur brand. This use of renewable energy from purchased products is accounted for following the hybrid method in "Purchased goods and services" category in the GHG Protocol Scope 3 Guidance

*** All electricity consumed (except Clinics Australia), backed up with Energy Attribute Certificates (EACs) for the first time. According to the GHG Protocol Scope 2 Guidance, all electricity purchases with canceled EACs have an emission factor of 0

Social

The below reporting on social metrics is in accordance with the Nasdaq ESG guidance. Further details on social initiatives are discussed in Össur's Sustainability Report.

Social Metrics					
		Connection to Frameworks	2021	2020	2019
S - 1	**CEO Pay Ratio**	**UNGC: Principle 6**			
1)	CEO total compensation to median FTE total compensation*		37	23	21
2)	Does your company report this metric in regulatory filings? Yes/No		Yes	Yes	Yes
S - 2	**Gender Pay Ratio**	**UNGC: Principle 6**			
	Equal pay audit		Yes	Yes	Yes
S - 3	**Employee Turnover**	**UNGC: Principle 6**			
1)	Year-over-year change for full-time employees		19%	17%	10%
2)	Year-over-year change for part-time employees		n/a	n/a	n/a
3)	Year-over-year change for contractors and/or consultants		n/a	n/a	n/a
S - 4	**Gender Diversity**	**UNGC: Principle 6, SDG 5**			
1)	Total enterprise headcount held by men and women		M 53%/ F 47%	M 54%/ F 46%	M 51%/ F 49%
2)	Entry- and mid-level positions held by men and women		M52%/ F48%	M52%/ F48%	M62%/ F38%
3)	Senior- and executive-level positions held by men and women		M64%/ F36%	M66%/ F34%	M74%/ F26%
S - 5	**Temporary Worker Ratio**	**UNGC: Principle 6**			
1)	Total enterprise headcount held by part-time employees		8%	9%	8%
2)	Total enterprise headcount held by contractors and/or consultants		107	144	124
S - 6	**Non-Discrimination**	**UNGC: Principle 6**			
1)	Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No		Yes	Yes	Yes
S - 7	**Injury Rate**	**SDG 3**			
1)	Total Recordable Incident Rate per 100 employees		0.5	0.7	0.6
S - 8	**Global Health and Safety**	**SDG 3**			
1)	Does your company follow an occupational health and/or global health & safety policy? Yes/No		Yes	Yes	Yes
S - 9	**Child & Forced Labor**	**UNGC: Principle 4,5**			
1)	Does your company follow a child and/or forced labor policy? Yes/No		Yes	Yes	Yes
2)	If yes, does your child and/or forced labor policy See also: cover suppliers and vendors? Yes/No		Yes	Yes	Yes
S - 10	**Human Rights**	**UNGC: Principle 1,2**			
1)	Does your company follow a human rights policy? Yes/No		Yes	Yes	Yes
2)	If yes, does your human rights policy See also: cover suppliers and vendors? Yes/No		Yes	Yes	Yes

* Comparable numbers for 2020 corrected from last year's report

Corporate Governance

Össur's Corporate Governance reporting complies with the Danish Recommendations on Corporate Governance. Further details on the Corporate Governance Reporting can be found here in Össur's Corporate Governance Report.

The below reporting on governance metrics is in accordance with the Nasdaq ESG guidance. Further details on Governance related initiatives are discussed in Össur's Sustainability Report.

Governance Metrics

		Connection to Frameworks	2021	2020	2019
G - 1	**Board Diversity**				
1)	Percentage: Total board seats occupied by women (as compared to men)		M 60% / F 40%	M 60% / F 40%	M 60% / F 40%
2)	Percentage: Committee chairs occupied by women (as compared to men)*		M 100% / F 0%	M 100% / F 0%	M 100% / F 0%
G - 2	**Board Independence**				
1)	Does company prohibit CEO from serving as board chair? Yes/No		Yes	Yes	Yes
2)	Percentage: Total board seats occupied by independents		D 60% / I 40%	D 60% / I 40%	D 60% / I 40%
G - 3	**Incentivized Pay**				
1)	Are executives formally incentivized to perform on sustainability? Yes/No		No	No	No
G - 4	**Collective Bargaining**	**UNGC: Principle 3**			
1)	Total enterprise headcount covered by collective bargaining agreement(s)		29%	39%	41%
G - 5	**Supplier Code of Conduct**	**UNGC: Principle 2,3,4,8 SDG 12**			
1)	Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No		Yes	Yes	Yes
2)	If yes, what percentage of your suppliers have formally certified their compliance with the code?**		n/a	76%	76%
G - 6	**Ethics & Anti-Corruption**	**UNGC: Principle 10**			
1)	Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No		Yes	Yes	Yes
2)	If yes, what percentage of your workforce has formally certified its compliance with the policy?***		n/a	91%	91%
G - 7	**Data Privacy**				
1)	Does your company follow a Data Privacy policy? Yes/No		Yes	Yes	Yes
2)	Has your company taken steps to comply with GDPR rules? Yes/No		Yes	Yes	Yes
G - 8	**ESG Reporting**	**UNGC: Principle 8**			
1)	Does your company publish a sustainability report? Yes/No		Yes	Yes	Yes
2)	Is sustainability data included in your regulatory filings? Yes/No		Yes	Yes	Yes
G - 9	**Disclosure Practices**	**UNGC: Principle 8**			
1)	Does your company provide sustainability data to sustainability reporting frameworks? Yes/No		Yes	Yes	Yes
2)	Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No		Yes	Yes	Yes
3)	Does your company set targets and report progress on the UN SDGs? Yes/No		Yes	Yes	Yes
G - 10	**External Assurance**	**UNGC: Principle 8**			
	Are your sustainability disclosures assured or validated by a third party? Yes/No	Assurance and third party audits have performed some of the data in the report. Further details in the CSR report.			

* The Board has only one committee, Audit Committee, explaining the uneven gender split

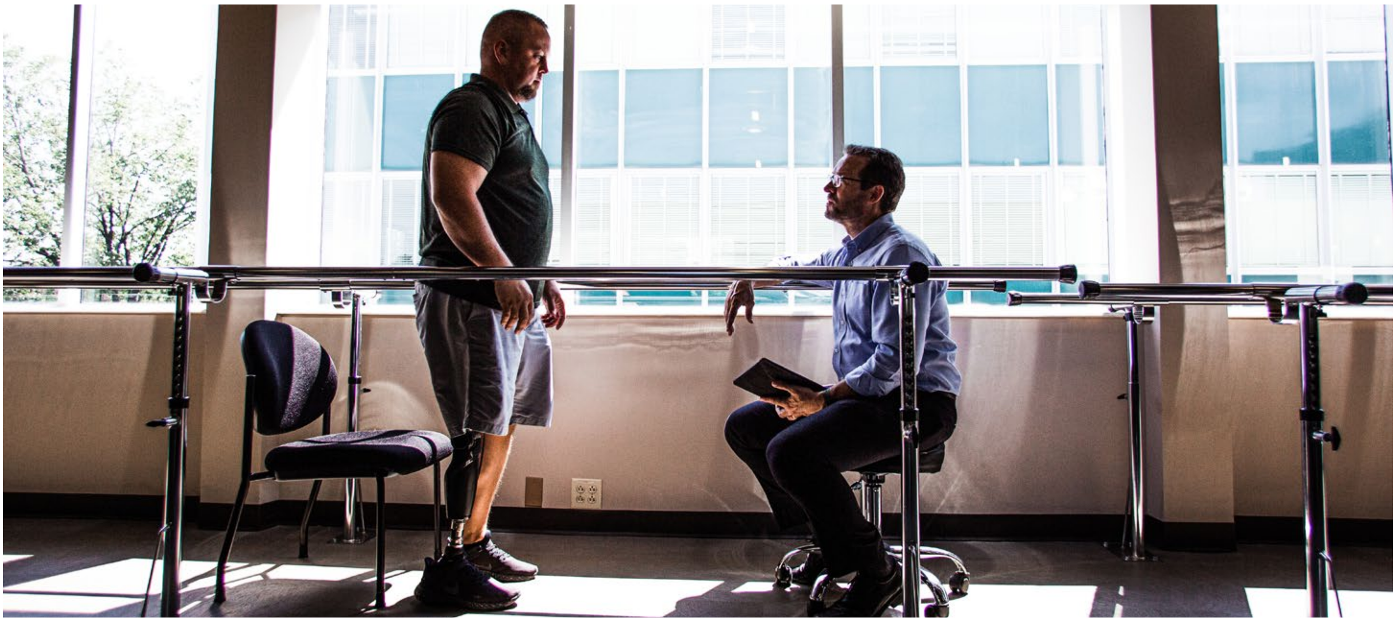
** Percentage of suppliers categorized as critical suppliers. No Changes between years, due to review of the Code. Updated Code will be introduced in 2022

*** Percentage of key employees in sales and employees with responsibilities in high risk areas. A new Code was launched in December 2021 As training and acknowledgment will take place in 2022, comparable numbers are not applicable

Corporate Governance

Organizational Structure

According to Össur's Articles of Association, the Company is managed by Shareholders' Meetings, the Board of Directors (the Board), and the Chief Executive Officer (CEO). Their roles and responsibilities are described below.



Shareholders' Meetings

The supreme authority in Össur's affairs is in the hands of lawful Shareholders' Meetings, within the limits provided for in the Company's Articles of Association and law.

At each Annual General Meeting the shareholders:

- Confirm the Company's consolidated financial statements and decide on the distribution of the Company's net profit
- Approve the Company's Remuneration policy
- Decide on the remuneration for the Board of Directors
- Elect the Board of Directors
- Elect an auditor

Other resolutions are made on an ad-hoc basis, such as:

- Amendments to the Company's Articles of Association
  - Capital reductions
  - Authorizations for the Board of Directors to increase the share capital
- Authorizations to the Board of Directors
  - Purchase own shares
  - Initiate share buyback programs

Resolutions at Shareholders' Meetings generally require a simple majority. However, resolutions to amend the Company's Articles of Association usually require two-thirds of the votes cast and capital represented.

Minutes of Shareholders' Meetings are available here on Össur's website.

Board of Directors

The Board of Directors is the supreme authority in Össur's affairs between Shareholders' Meetings. The Board shall operate in accordance with the Company's Articles of Association and the Board's Rules of Procedure.

The Board of Directors' work, role and responsibilities are further described in the Board's rules of procedure, which are reviewed annually by the Board and updated as necessary. The Board's rules of procedure are available here on Össur's website and below is the Board's Annual Schedule.

The Board has various roles and responsibilities

- Establish goals for the Company and formulate the policy and strategy to achieve those goals.
- Hire a CEO to manage the Company's daily operations, supervise the Company's activities and ensure that the Company's organization and operations are in good and proper order.
- Ensure adequate surveillance of the accounting and financial management of the Company.
- Evaluate the Company's capital structure.
- Evaluate the performance of the Board and the CEO.

The Board of Directors' Annual Schedule

Quarter 1

February Meeting
- Full-year results
- Corporate Governance Statement
- Capital Structure and Dividend Policy
- Agenda for the Annual General Meeting

Annual General Meeting

March Meeting
- Election of Chairman and Vice Chairman
- Appointment of the Audit Committee
- Review of Internal Rules

Quarter 2

April Meeting

Quarterly results

Quarter 3

July Meeting
- Half-year results

September Meeting
- Strategy

Quarter 4

October Meeting
- Quarterly results

December Meeting
- Strategy and forecast
- Performance evaluation
- Diversity discussions

The Board of Directors is composed of five individuals, all elected by the shareholders at the Annual General Meeting for a term of one year. The Board shall be represented by at least 40% of each gender, and currently there are three men and two women on the Board. All Board Members except one have served for several years, which ensures consistency and good insights into Össur's business and markets. Two of the Board Members are considered independent in accordance with the Danish Recommendations on Corporate Governance.

The Chairman and the Vice Chairman of the Board of Directors are elected each year following Össur's Annual General Meeting. The Chairman's main responsibility is to ensure that the Board performs its duties in an orderly and efficient manner. In the absence of the Chairman, the Vice Chairman performs his duties. Niels Jacobsen has served as the Chairman since 2006 and Svafa Grönfeldt as the Vice Chairman since 2021.

Further information on each Member of the Board of Directors is available here on Össur's website.

Board Member	Independent	Nationality	Gender	Board Tenure	Board Meetings Attended
Niels Jacobsen, Chairman	No	Danish	Male	16 years	●●●●●●●
Svafa Grönfeldt, Vice Chairman	No	Icelandic	Female	13 years	●●●●●●●
Arne Boye Nielsen	No	Danish	Male	12 years	●●●●●●●
Alberto Esquenazi*	Yes	American	Male	1 year	○●●●●●●
Guðbjörg Edda Eggertsdóttir	Yes	Icelandic	Female	8 years	●●●●●●●

*Kristján Tómas Ragnarsson attended the first Board Meeting before he retired and was replaced by Alberto Esquenazi at the Annual General Meeting on 8 March 2021

Audit Committee

The Board of Directors has established one committee, the Audit Committee. The Audit Committee acts as an advisor to the Board of Directors but has no authority to make any decisions on behalf of the Board.

The Audit Committee's work, role and responsibilities are further described in the Audit Committee's rules of procedure, which are reviewed annually by the Board of Directors and updated as necessary. The Audit Committee's rules of procedure are available here on Össur's website and below is the Audit Committee's Annual Schedule.

The Audit Committee is composed of three Board Members. The majority of the Audit Committee shall be independent of the Company, the CEO, and the Auditor. The Members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Member of the Audit Committee shall have solid knowledge and experience in the field of financial statements or auditing. Arne Boye Nielsen has served as the Chairman of the Audit Committee since 2012.

Further information on each Member of the Audit Committee is available here on Össur's website.

The Audit Committee has various roles and responsibilities

- Ensure a competent and independent audit of the Company.
- Submit proposals to the Board on the nomination of an auditor candidate at the Annual General Meeting.
- Submit proposals to the Board on an agreement with the Auditor, containing e.g. provisions on the audit fees as well as the general scope of the Auditor's non-audit services for the Company.
- Monitor the Auditor's work for the Company, including the audit of the consolidated financial statements.
- Monitor the preparation of financial statements and report to the Board on significant accounting policies, significant accounting estimates, related party transactions and uncertainties and risks, including in relation to the outlook, prior to the Board's approval of financial statements.
- Monitor and assess the Company's internal control systems and its risk management and perform other related tasks and duties.
- Assess the need for an internal audit.
- Monitor and assess the Company's management of compliance and security risks.

The Audit Committee's Annual Schedule

Quarter 1

February Meeting

- Report on prior year audit (presented by the Auditor)
- Audit Committee report to the Board on prior year
- Compliance & Security update

Quarter 2

April Meeting

- Election of Chairman
- Compliance & Security update

Quarter 3

July Meeting

- Audit plan for the coming year (presented by the Auditor)
- Company's report on various accounting and control items
- Compliance & Security update

Quarter 4

October Meeting

- Company's report on internal controls
- Compliance & Security update

December Meeting

- Meeting with the Auditors

Audit Committee Member*	Meetings Attended
Arne Boye Nielsen, Chairman	●●●●
Alberto Esquenazi**	○●●●
Guðbjörg Edda Eggertsdóttir	●●●●

*The Chairman of the Board and the Vice Chairman of the Board also attended all the Audit Committee meetings
**Svafa Grönfeldt attended the first Audit Committee meeting before she became the Vice Chairman of the Board on 8 March 2021 and was replaced on the Audit Committee by Alberto Esquenazi

Board Performance Evaluation

The Board of Directors conducts a performance evaluation each year, which includes evaluation of individual contribution, co-operation within the Board and with the CEO, the Chairman's leadership and setup of meetings, quality of board material, committee structure, etc. The Board also evaluates its composition each year to ensure that the Members of the Board have the relevant knowledge between them, professional experience, expertise, and skills required to perform the Board's tasks in the best interest of the Company. The Chairman oversees the evaluation process and proposes actions to be taken, if any. The Chairman shall seek external assistance at least every three years.

The Board performance evaluation for the year 2020 was carried out with external assistance in February 2021. The evaluation areas were the tasks of the Board, the Board competences and composition, the Chairman and Chairmanship and underlying dynamics. The conclusion of the evaluation was that the Board was well functioning and competent with efficient leadership and strong values, thorough strategy process with clear Board involvement and alignment, and well-balanced underlying dynamics fostering stability and long-term growth. Observations were made that the Board should be aware of complacency coming from long tenure and common understanding and make sure to protect and nurture the key criteria for success when bringing in new Board Members. The Board was recommended to monitor risk of complacency and create a succession process for the CEO and the Chairman.

Chief Executive Officer

The CEO is responsible for Össur's daily operations and is obliged to follow the Board of Directors' policy and directions, within the limits provided for by the Company's Articles of Association and law. The daily operations do not include measures that are unusual or extraordinary, which may generally only be taken if specially authorized by the Board. The CEO is not a Member of the Board of Directors, but the CEO shall attend Board Meetings and has the right to participate in discussions and put forward proposals, unless otherwise decided by the Board in specific instances.

The Board of Directors evaluates the CEO's performance each year. Subsequently, the Chairman of the Board and the CEO have a meeting to discuss the results of the evaluation and the actions to be taken, if any.

Executive Management

Össur also has a wider Executive Management consisting of the CEO, the CFO and Executive Vice Presidents. The Executive Management generally meets every week and collectively prepares and implements the Company's strategic plans. The CEO is responsible for the work and results of the Executive Management.

The CEO evaluates the performance of other Members of the Executive Management each year and discusses the results of the evaluation with each Member and the actions to be taken, if any.

Further information on each Member of the Executive Management is available here on Össur's website.

Remuneration of the Board of Directors and the Executive Management

At Össur's Annual General Meeting on 8 March 2021, the shareholders approved an updated Remuneration Policy, which applies to the Board of Directors and the Executive Management. The Remuneration Policy was prepared by the Board of Directors and was approved without any amendments. The Remuneration Policy is available here on Össur's website.

Information on the remuneration of the Board of Directors and the Executive Management can be found in Össur's Remuneration Report, available here on Össur's website.

Recommendations on Corporate Governance

Össur follows the Danish Recommendations on Corporate Governance issued on 2 December 2020 by the Danish Committee on Corporate Governance, which are available on the Committee's website: corporategovernance.dk. The Recommendations are the best practice guidelines for companies admitted to trading on a regulated market in Denmark.

Each year, the Board of Directors evaluates and decides to what extent the Company should comply with the Recommendations and consequently, whether relevant rules, policies and processes should be adopted or updated.

In general, the Board of Directors shares the Committee's views on corporate governance and, accordingly, Össur complies with most of the recommendations. In the few cases where Össur deviates from the Recommendations, the "comply or explain" principle is applied, and well-founded explanations are provided on why the relevant recommendation is not considered appropriate or desirable for the Company.

Össur's Corporate Governance Report is approved by the Board of Directors. The Report includes both the statutory statement on corporate governance as well as comments and information on each item in the Recommendations. The Report is available here on Össur's website.

Board of Directors

Niels Jacobsen

Chairman of the Board of Directors

Born in 1957

Member of the Board of Directors since the year 2005

Education

Master's degree in Business Administration from the University of Aarhus in Denmark

Board positions

- KIRKBI A/S, deputy chairman
- Nissens A/S, chairman
- Thomas B. Thrige Foundation, chairman
- ABOUT YOU Holding GmbH, deputy chairman

Additional duties related to William Demant Invest A/S:

- Demant A/S, deputy chairman
- Jeudan A/S, chairman
- Vision RT Ltd., chairman
- Founders A/S, chairman
- Boston Holding A/S, board member

Experience

Mr. Jacobsen has broad management experience, both as a CEO and as a chairman in major international companies. He is currently the CEO of William Demant Invest A/S. Previous positions include President & CEO of Demant A/S (formerly William Demant Holding A/S), President of Orion A/S and Vice President overseeing corporate affairs for both Atlas Danmark A/S and Thrige-Titan A/S.

Shares held in Össur

203,330 (incl. related parties).

Mr. Jacobsen holds no share options in the Company.

Other

Mr. Jacobsen has no interest links with the Company's main clients or competitors. Mr. Jacobsen is a dependent member of the Board.

Svafa Grönfeldt

Vice Chairman of the Board of Directors

Born in 1965

Member of the Board of Directors since the year 2008

Education

Doctorate in Industrial Relations from the London School of Economics

Board positions

- Icelandair, board member
- Marel, board member

Experience

Svafa Grönfeldt is a Professor of Practice at the Massachusetts Institute of Technology. She is a founding member of MIT's newest innovation accelerator DesignX focused on developing new ventures created at MIT. Dr. Gönfeldt is the co-founder of The MET fund, a Cambridge based seed investment fund. Previous positions include executive leadership positions at two global life science companies where she served as Chief Organizational Development Officer of Alvogen and Deputy to the CEO of Actavis Group. Dr. Grönfeldt is a former President of Reykjavik University.

Shares held in Össur

Dr. Grönfeldt holds no shares nor share options in the Company.

Other

Dr. Grönfeldt has no interest links with the Company's main clients, competitors, or major shareholders. Dr. Grönfeldt is a dependent Board member.

Arne Boye Nielsen

Member of the Board of Directors

Born in 1968

Member of the Board of Directors since the year 2009

Education

Master's degree in Business Administration from the Copenhagen Business School in Denmark

Board positions

- Epos A/S, chairman
- Revenio Group Oyj, board member
- Interacoustics A/S, president

Experience

Mr. Nielsen has spent his entire career with Demant A/S in various and expanding roles throughout the world. After working as an interim General Manager of Oticon Australia Pty Ltd. Mr. Nielsen assumed, in 1996, his current position as President of Diagnostics and Communications in Demant, which has operations worldwide.

Shares held in Össur

Mr. Nielsen neither has shares nor share options in the Company.

Other

Mr. Nielsen has no interest links with the Company's main clients or competitors. Mr. Nielsen is a dependent member of the Board.

Board of Directors

Dr. Alberto Esquenazi

Member of the Board of Directors

Born in 1957

Member of the Board of Directors since the year 2021

Education

Medical degree in Medicine and Surgery from Universidad Nacional Autonoma de Mexico in Mexico.

Board positions

- American Academy of PM&R, past president
- AMRPA and Einstein Healthcare Network, board member

Experience

Dr. Esquenazi, MD, serves as the John Otto Haas Chair of the Department of Physical Medicine and Rehabilitation at MossRehab, in Philadelphia and is the Chief Medical Officer as well as Director of the Gait and Motion Analysis Laboratory and Clinical Director of the Regional Amputee Center. He is Professor of PM&R at Jefferson School of Medicine and the SVP, Enterprise Rehabilitation and Postacute Care Network. Dr. Esquenazi has published widely and is a member of national and international professional, educational, and research societies.

Shares held in Össur

Dr. Esquenazi holds no shares options in the Company.

Other

Dr. Esquenazi has no interest links with the Company's main clients, competitors or major shareholders.

Dr. Esquenazi is an independent member of the Board.

Gudbjörg Edda Eggertsdottir

Member of the Board of Directors

Born in 1951

Member of the Board of Directors since the year 2013

Education

Master's degree (Pharm.) from Copenhagen University in Denmark

Board positions

- Brunnur Investment Fund, chairman
- Coripharma Holding ehf., vice chairman
- Florealis ehf., chairman
- Orf Genetics hf., board member
- Vistor hf., board member
- Saga Natura ehf., board member
- Pretium ehf., chairman

Experience

Previous positions include President & EVP Strategic Projects of Actavis Plc in Iceland, a global integrated specialty pharmaceutical company; Deputy CEO and EVP Third Party Sales at Actavis Group hf.; Deputy CEO, Head of R&D, Assistant Managing Director, Development Manager, Regulatory Manager and Marketing Manager at Delta hf.; and Medical Representative at Pharmaco hf. She was the President of the European Generic Medicines Association from 2011-2013.

Shares held in Össur

26,318 (incl. related parties).

Ms. Eggertsdottir holds no share options in the Company.

Other

Ms. Eggertsdottir has no interest links with the Company's main clients or competitors. Ms. Eggertsdottir is an independent member of the Board.

Executive Management

Jon Sigurdsson
President and CEO

Born in 1956
With Össur since the year 1996

Education

Master's degree in Business Administration (MBA) from the United States International University in San Diego

Bachelor's degree in industrial engineering from Odense Technical College in Denmark

Board positions

- Vitrolife AB, Chairman
- The Icelandic American Chamber of Commerce

Experience

Jon has been the CEO of Össur since 1996 and prior to that he was the Commercial Counselor for the Icelandic Trade Council in New York (1992- 1996), Chief Financial Officer at Álafoss (1989-1991), Head of the International Division of Eimskip (1986-1989) and an Engineer for Bang and Olufsen Denmark (1982- 1984).

Jon's experience as a member of the Board of Directors in other companies/ organizations includes:

- Rio Tinto Alcan Iceland 2003-2015
- The Icelandic Chamber of Commerce 2002-2012
- Reykjavik University from 2002-2009
- Samherji hf. from 2002-2006
- The Icelandic Trade Council from 1997-2003
- Research Liaison Office of the University of Iceland from 1996-2001

Shares held in Össur

902,708 (incl. related parties)

Sveinn Sölvason
Chief Financial Officer

Born in 1978
With Össur since the year 2009

Board positions

- Icelandic Chamber of Commerce

Education

Master's degree in Finance and Accounting (Cand. Merc.FIR) from Copenhagen Business School

Bachelor's degree in international business from Copenhagen Business School

Experience

Sveinn has been with Össur since 2009, previously as Director of Treasury and Corporate Development. Prior to joining Össur, he worked at Marel, Kaupthing Bank, Goldman Sachs and HSH Nordbank.

Shares held in Össur

25,000

Egill Jonsson
EVP of Manufacturing and Operations

Born in 1957
With Össur since the year 1996

Board positions

- Federation of Icelandic Industries
- Technical College Reykjavik, Chairman

Education

Master's degree in Mechanical Engineering from the Technical University in Copenhagen (DTU)

Bachelor's degree in engineering from the University of Iceland

Experience

Egill has led the M&O function since he joined in 1996. He was formerly a Project Manager at VGK hf., an Engineering firm in Reykjavik (1985-1996).

Shares held in Össur

822,749 (incl. related parties)

Executive Management

Olafur Gylfason

EVP of Prosthetics and Europe/Emerging Markets

Born in 1969

With Össur since the year 1997

Education

Master's degree in International Business Economics from Alborg University in Denmark

Bachelor's degree in business administration from Bifrost School of Business in Iceland

Experience

Olafur has been with Össur since 1997; from 2001-2013 as the Managing Director of EMEA and before that, in Emerging Markets.

Shares held in Össur

9,517

Margret Lara Fridriksdottir

EVP of Human Resources and Corporate Strategy

Born in 1978

With Össur since the year 2000

Board positions

- Investment committee of VEX I

Education

Master's degree in Management and Strategy from the University of Iceland

Bachelor's degree in Business Administration from the University of Iceland

Experience

Margret has been with Össur since 2000 in various roles in finance, corporate strategy and human resources.

Shares held in Össur

16,300

Gudjon G. Karason

EVP of Clinics

Born in 1969

With Össur since the year 1998

Board positions

- Iðunn framtakssjóður slhf.

Education

Master's degree in Engineering from the University of Iceland

CS degree in Mechanical Engineering from the University of Iceland

Experience

Gudjon has been with Össur since 1998, and has since then worked in R&D, Marketing, Sales, and Clinics in multiple positions. Prior to joining Össur, Gudjon worked as a Development Manager for a couple of smaller industrial companies in Iceland.

Shares held in Össur

85,732

Executive Management

Christian Robinson

EVP of Bracing & Supports and Americas

Born in 1982

With Össur since the year 2012

Board positions

- National Association for the Advancement of Orthotics and Prosthetics (NAAOP)

Education

Juris Doctorate from Harvard Law School

Bachelor's Degree in English Literature from Brigham Young University

Experience

Since joining Össur in 2012, Christian has served in several roles including as General Counsel Americas, VP Finance Americas, and as Managing Director Americas. Prior to joining Össur, he practiced corporate and transactional law with international law firm Paul Hastings LLP with a focus on M&A and capital markets.

Shares held in Össur

11,314

Dr. Kristleifur Kristjansson

EVP of Research and Development

Born in 1955

With Össur since the year 2012

Board positions

- Skraeda ehf., chairman

Education

Medical Doctor degree from the University of Iceland

Board-Certified Pediatrician from the Medical College of Georgia

Clinical and molecular genetics fellowship from the Baylor College of Medicine in Houston, Texas

Certified Pediatrician and Clinical Geneticist in Iceland from 1993

Experience

Dr. Kristjansson joined Össur in 2012, for the first 5 years as a Medical Officer and another 2 years as a Medical Officer and VP of Clinical Affairs. Dr. Kristjansson's previous positions include co-founder and VP of Clinical Affairs and Collaborations at deCODE genetics ehf. 1995 to 2012 and co-founder and CEO of Pediatric Services in Iceland 1995 to 2014. Dr. Kristjansson has acted as a consulting Pediatrician and Clinical Geneticist for the University Hospital, Landspitalinn Reykjavik Iceland, from 1998 to the present, and he is the Founder of Skraeda ehf.

Shares held in Össur

1,850

Össur hf.
Consolidated Financial Statements
31 December 2021

Össur hf.

Consolidated Financial Statements

31.12.2021

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Statement by the Board of Directors and President and CEO

It is the opinion of the Board of Directors and the President and CEO of Össur hf. (the Company or Össur), that these Consolidated Financial Statements present the necessary information to evaluate the financial position of the Company at year end, the operating results for the year and financial developments during the year 2021. Össur Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006.

Össur hf. designs, manufactures and sells orthopedic products specializing in prosthetics and bracing and supports solutions. The Company is headquartered in Iceland and owns and operates subsidiaries in multiple countries around the world. The Company sells its products worldwide, but the principal market areas are North America and Europe.

A requirement to conclude on non-financial information has been made part of Icelandic law from 2016 as part of the implementation of EU directive 2013/34/EU that became effective for Member States in 2017. It is the Board of Directors opinion that necessary information to analyze the environmental, social and employee aspects of the business can be obtained by reviewing information in the Annual Report and in the Corporate Sustainability Report to help provide fundamental understanding of the Company's development, performance and position on non-financial matters. Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. Annually, Össur publishes a report on the progress of key projects in the four categories set forth by the Global Compact; environmental concerns, labor practices, human rights and anti-corruption. In addition Össur publishes information on its contribution to selected UN Sustainable Development Goals. Further information about Össur's corporate sustainability and social responsibility activities can be found in the Annual Report and 2021 progress report, available on the Company's website: https://www.ossur.com/global/our-responsibility/our-commitments/csr-reports .

The total sales of the Company amounted to USD 718.7 million (2020: USD 629.5 million) and increased by 14% from the preceding year. Organic local currency sales increase was 10%. Net profit amounted to USD 65.7 million (2020: USD 7.9 million). Diluted Earnings per Share amounted to US cents 15.5 (2020: US cents 1.9.). Earnings before interest, taxes, depreciation, impairment and amortization (EBITDA) amounted to USD 149.0 million (2020: USD 93.0 million).
The total assets of the Company amounted to USD 1,246.9 million at year end, liabilities were USD 620.3 million and equity was USD 626.6 million. The equity ratio at year end was 50%, (2020: 48%).

The Company employed on average 3,761 employees in 2021 (2020: 3,505) and 3,668 at year end (2020: 3,385).

Össur's shares are admitted to trading on the Nasdaq Copenhagen stock exchange. The market value of the Company at year end was USD 2,724 million (2020: USD 3,380 million) and the share price in DKK decreased by 12.7% during the year. At year end, registered shareholders in Össur were 4,540 compared to 4,512 at the beginning of the year. It should be noted that due to the concentration of trading in Nasdaq Copenhagen in 2017, about 1,600 shareholders that held shares listed in Iceland were consolidated into a few nominee accounts. The ten largest shareholders and their ownership percentage are: William Demant Invest A/S - 51.9%, Islandsbanki Bank – 14.9% (nominee), Arbejdsmarkedets Tillægspension (ATP) - 5.2%, State Street Bank – 3.8%, Lannebo Fonder – 2.1%, SEB Sverigefond Smabolag Chans/Risk - 2.0%, Landsbankinn Bank – 2.0% (nominee), SEB SV SMABOL – 1.5%, Clearstream – 1.3% (nominee) and JP Morgan Bank Luxembourg - 1.3% (nominee). William Demant Invest A/S (WDI) ownership in Össur exceeded 50% in January 2018. According to WDI's announcement at the time, their intention is to hold 50-60% of Össur's shares going forward and WDI has no intention of taking over Össur or delisting Össur's shares from Nasdaq Copenhagen. Furthermore, WDI has no intention of making changes to Össur's strategy, management or operations.

Statement by the Board of Directors and President and CEO

The Company follows the Danish Recommendations for Corporate Governance issued by the Danish Committee on Corporate Governance, available at: https://corporategovernance.dk/. The Board of Directors complies with the Articles of Association of the Company and the Board of Directors' Rules of Procedure, which address the Board's roles and responsibilities etc. The Board of Directors is composed of five members elected at each Annual General Meeting for a term of one year. The Board of Directors consists of two women and three men in compliance with Icelandic law on gender ratio. No Össur employee sits on the Board of Directors. The Audit Committee complies with the Committee's Rules of procedures, which address the Committee's roles and responsibilities etc. The Audit Committee is composed of three members elected by the Board. The CEO manages the Company's daily operations. The Board has approved an Equal Opportunity Policy that prohibits all discrimination. The policy is available on the Company's website: https://www.ossur.com/global/our-responsibility/our-commitments/policies and reporting on the progress and objectives of the Policy is made in the Company's Corporate Social Responsibility report available on the Company's website: https://www.ossur.com/global/our-responsibility/our-commitments/csr-reports. The Board approves a Corporate Governance report that includes all the information to be included in the statutory statement referred to in Article 66 (c) of the Icelandic Financial Statement Act no. 3/2006, as well as explanations, comments and information on each recommendation in the Danish Recommendation for Corporate Governance. The report is available on the Company's website: https://www.ossur.com/global/investor-relations/corporate/reports.

No share buybacks were made in 2021. Össur has decided to revive its share buyback program and will commence it shortly. Össur will propose not to reduce the share capital at the Annual General Meeting as the Company did not acquire any treasury shares in 2021 and the treasury shares held will be used to fulfill obligations under share option agreements that have vested or will be vesting in 2022. Share options contracts were settled with 162 thousands of Össur treasury shares during the year.
In line with the Company's Capital Structure and Capital Allocation Policy, the Board of Directors will propose to the Annual General Meeting in 2022 not to pay a cash dividend. With emphasis on prioritizing investments in growth opportunities, value-adding investment opportunities and acquisitions, Össur has decided to discontinue dividend payments and focus on returning excess capital to shareholders via purchase of treasury shares in accordance with the Company's Capital Structure and Capital Allocation Policy.

Össur has maintained its operations throughout the COVID-19 pandemic, prioritizing production and product availability, and ensured that guidelines from local and global healthcare authorities are being followed. The COVID-19 pandemic and the associated lockdowns had an adverse effect on sales in 2021, primarily in Americas and Australia in the third quarter, while other regions were less affected. Furthermore, the pandemic has caused temporary variable cost increases due to global supply chain challenges, and related short-term negative impact on productivity although Össur's manufacturing sites and warehouses are operating at normal capacity. The long-term prospects or underlying fundamental drivers of the prosthetics and bracing & supports markets are not expected to change and the impact from COVID-19 is expected to lead to some pent-up demand. Primary focus is on business continuity and the safety of employees, customers, and end-users.

Statement by the Board of Directors and President and CEO

In our opinion, the Consolidated Financial Statements of Össur hf. for the financial year 2021 identified as "ossur-2021-12-31.zip" are prepared in all material respects, in compliance with the ESEF Regulation.

The Board of Directors and President and CEO of Össur hf. hereby confirm the Consolidated Financial Statements of Össur for the year 2021 with their signatures.

Reykjavík, 1 February 2022

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt

Alberto Esquenazi

Arne Boye Nielsen

Guðbjörg Edda Eggertsdóttir

President and CEO

Jón Sigurðsson

Independent auditor’s report

To the Shareholders of Össur hf.

Opinion

We have audited the Consolidated Financial Statements of Össur hf. and its subsidiaries (the Company), which comprise the Consolidated Balance Sheet as at December 31, 2021, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity for the year then ended, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the Company´s financial position at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006. Our opinion in this report on the Consolidated Financial Statements is consistent with the content of the additional report that has been submitted to the audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Book value of goodwill at year end amounted to 644 million. The change in goodwill consists of provisional additions due to current year acquisitions and adjustments to prior year provisional values amounting to 48.5 million as well as exchange rate difference loss amounting to 16.4 million.

The management considers that each geographical segment constitutes its own cash generating unit (‘CGU’). The key assumptions applied by the managements in the impairment test are segment specific discount rates, future revenue growth and expected future margins. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates regarding key assumptions based on management’s view of future business prospects.

Due to the relative sensitivity of certain inputs to the impairment testing process, in particular the future cash flows of the CGUs noted above, the valuation of goodwill is considered a key audit matter.
In order to address this key audit matter, we audited the assumptions used in the impairment model for goodwill. As part of our work, we engaged our internal specialists to assist with:

- Critically evaluating whether the model used by management to calculate the value in use of the individual CGU’s complies with the requirements of IAS 36 Impairment of Assets;
- Validating the assumptions used to calculate the discount rates and recalculating these rates;
- Considering the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 December 2021 and comparing the forecast growth trends to historic trends;
- Comparing the long-term growth rates for each CGU to external market data;
- Evaluating the appropriateness of the sensitivity analysis applied by management to the impairment testing model including considering whether the scenarios reasonably represent possible changes in key assumptions;
- Performing further sensitivity analysis based on recent trading activity and our understanding of the future prospects to identify whether these scenarios could give rise to further impairment; and
- Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU’s.

We also reviewed the disclosures presented in note 14 to the Consolidated Financial Statements to confirm compliance with the requirements within IAS 36.

Other information

Management is responsible for other information. Other information consists of Management Commentary. Our opinion on the Consolidation Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon except the confirmation regarding Statement of Board of Director and President and CEO as stated below.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the information in the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the Statement of Board of Director and President and CEO includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the Consolidated Financial Statements.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management and those charged with governance is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union, additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006, and for such internal control as management and those charged with governance determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the Consolidated Financial Statements, management and those charged with governance is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition to our work as the auditors of the Company, Deloitte has provided the firm with permitted additional services such as other assurance engagements and consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. The Company's Audit Committee also has in place internal procedures to approve additional services before they commence. The Audit Committee also evaluates the independence of the Company's auditors on yearly basis to ensure their independence and objectivity.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements of Össur hf. we performed procedures to express an opinion on whether the annual report for the year then ended 31.12.2021 with the file name "ossur-2021-12-31.zip" is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparation of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags,including extensions to the ESEF taxanomy and the anchoring thereof to elements in the taxanomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as management determines necessary to enable the preparation of an annual report that is compliant with ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor´s judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the Company´s iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

Independent auditor's report

In our opinion, the annual report of Össur hf. for the financial year 1.1.2021 – 31.12.2021 with the file name "ossur-2021-12-31.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Deloitte was appointed auditor of Össur hf. by the general meeting of shareholders on 8th March 2021. Deloitte has been elected auditor since the Company´s founding in 1971.

Kópavogur, 1 February 2022

Deloitte ehf.

Eyþór Guðjónsson	Signý Magnúsdóttir
State Authorized Public Accountant	State Authorized Public Accountant

Financial Highlights and Key Ratios

USD millions		2021	2020	2019	2018	2017
Income Statement						
Net sales		719	630	686	613	569
Gross profit		455	391	439	387	355
Operating expenses (excl. other income / exp.)		360	338	341	304	280
EBITDA		149	93	141	107	97
EBITDA before special items		149	93	150	115	103
EBIT		97	28	98	79	75
Net profit		66	8	69	80	58
Sales growth						
Sales growth USD	%	14	(8)	12	8	9
Growth breakdown:						
Organic growth in LCY	%	10	(10)	5	5	5
Currency effect	%	3	0	(4)	1	0
Acquired/divested business	%	1	2	11	2	4
Balance Sheet						
Total assets		1,247	1,214	1,091	914	793
Equity		627	577	569	538	500
Net interest-bearing debt (NIBD)		363	381	302	180	121
Cash Flow						
Cash generated by operations		128	119	120	92	90
Free cash flow		74	68	63	39	55
Key ratios						
Gross profit margin	%	63	62	64	63	62
EBIT margin	%	14	4	14	13	13
EBITDA margin	%	21	15	21	18	17
EBITDA margin before special items	%	21	15	22	19	18
Equity ratio	%	50	48	52	59	63
Net debt to EBITDA before special items		2.4	4.1	2.0	1.6	1.2
Effective tax rate	%	24	38	24	18	16
Return on equity	%	11	1	12	15	12
CAPEX to net sales	%	3.7	3.8	4.6	5.0	3.4
Full time employees at period end		3,668	3,385	3,449	3,147	2,990
Full time employees on average		3,761	3,505	3,382	2,775	2,948
Market						
Market value of equity		2,724	3,380	3,340	2,055	1,871
Number of shares in millions		423	423	425	431	437
Diluted EPS in US cents		15.5	1.9	16.2	18.7	13.3

Consolidated Income Statement

All amounts in USD '000	Notes	2021	2020
Net sales	3	718,669	629,503
Cost of goods sold		(263,282)	(238,268)
Gross profit		**455,387**	**391,235**
Other income / (expenses)	6	1,687	(24,978)
Sales and marketing expenses		(253,885)	(229,285)
Research and development expenses		(31,735)	(31,018)
General and administrative expenses		(74,143)	(77,666)
Earnings before interest and tax (EBIT)		**97,311**	**28,288**
Financial income		984	1,230
Financial expenses		(12,774)	(10,918)
Net exchange rate difference		1,119	(5,880)
Net financial expenses	9	(10,671)	(15,568)
Earnings before tax (EBT)		**86,640**	**12,720**
Income tax	10	(20,984)	(4,799)
Net profit		**65,656**	**7,921**
Attributable to:			
Owners of the Company		63,994	6,214
Non-controlling interests		1,662	1,707
Net profit		**65,656**	**7,921**
Earnings per share	11		
Earnings per share (US cent)		15.6	1.9
Diluted earnings per share (US cent)		15.5	1.9

Consolidated Statement of Comprehensive Income

All amounts in USD '000	**2021**	**2020**
Net profit	65,656	7,921
Items that may be reclassified subsequently to profit or loss:		
Change in cash flow hedges	(13)	(400)
Exchange differences on translating foreign operations	(14,098)	10,521
Acc.transl.diff. reclassified to profit or loss on disposal of foreign operations	0	3,155
Income tax relating to components of other comprehensive income	(1,878)	1,989
Other comprehensive income, net of income tax	**(15,989)**	**15,265**
Total comprehensive income	**49,667**	**23,186**
Attributable to:		
Owners of the Company	48,005	21,479
Non-controlling interests	1,662	1,707
Total comprehensive income	**49,667**	**23,186**

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.12.2021	31.12.2020
Property, plant and equipment	12	55,349	58,466
Right of use assets	13	126,731	112,909
Goodwill	14	644,153	612,191
Other intangible assets	15	58,836	59,502
Investment in associates	16	13,647	13,352
Other financial assets	17	2,924	3,941
Deferred tax assets	25	27,044	27,512
Non-current assets		**928,684**	**887,873**
Inventories	18	103,985	93,231
Accounts receivable	19	102,768	98,353
Other assets	20	26,281	32,511
Bank balances and cash equivalents	21	85,197	102,363
Current assets		**318,231**	**326,458**
Total assets		**1,246,915**	**1,214,331**

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	31.12.2021	31.12.2020
Issued capital and share premium	22	75,571	74,871
Reserves		(45,917)	(31,514)
Retained earnings		591,932	529,155
Equity attributable to owners of the Company		621,586	572,512
Non-controlling interest		5,009	4,678
Total equity		**626,595**	**577,190**
Borrowings	24	262,190	339,978
Lease liabilities	13	118,674	108,013
Deferred tax liabilities	25	29,027	26,053
Provisions	26	8,788	7,955
Deferred income	27	6,250	6,739
Other financial liabilities	28	8,935	1,098
Non-current liabilities		**433,864**	**489,836**
Borrowings	24	46,043	17,545
Lease liabilities	13	21,244	17,857
Accounts payable		26,720	20,024
Income tax payable		7,350	4,160
Provisions	26	10,674	11,369
Accrued salaries and related expenses		42,341	38,226
Other liabilities	30	32,084	38,124
Current liabilities		**186,456**	**147,305**
Total equity and liabilities		**1,246,915**	**1,214,331**

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	2021	2020
Earnings before interests and tax (EBIT)		97,311	28,288
Depreciation, amortization and impairment	12, 13, 14, 15	51,643	64,699
Change in inventories		(15,783)	12,750
Change in receivables		(13,184)	18,445
Change in payables		7,758	(7,905)
Other operating activities		353	2,259
Cash generated by operations		**128,098**	**118,536**
Interest received		880	1,086
Interest paid		(12,150)	(10,441)
Income tax paid		(16,298)	(16,940)
Net cash provided by operating activities		**100,530**	**92,241**
Purchase of fixed and intangible assets	12, 15	(26,688)	(24,022)
Acquisition / divestment of subsidiaries, net of cash in acq.	31	(33,940)	(76,286)
Other investing activities		1,181	(6,141)
Cash flows to investing activities		**(59,447)**	**(106,449)**
Proceeds from long-term borrowings		1,693	74,881
Repayments of long-term borrowings		(17,352)	(13,586)
Changes in revolving credit facility		(14,038)	23,421
Payments of lease liabilities		(20,046)	(17,043)
Payment of dividends		0	(9,276)
Increase in subsidiaries not affecting control		0	(2,546)
Dividends from subsidiaries paid to non-controlling interests		(1,330)	(48)
Change in treasury shares		0	(3,943)
Cash flows from / (to) financing activities		**(51,073)**	**51,860**
Net change in cash		(9,990)	37,652
Balance of cash held in foreign currencies		(7,176)	6,100
Cash at beginning of period		102,363	58,611
Cash at end of period		**85,197**	**102,363**

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulate profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2020	**4,794**	**73,019**	**1,267**	**2,178**	**516**	**(51,069)**	**533,661**	**564,366**	**4,590**	**568,956**
Net profit							6,214	**6,214**	1,707	**7,921**
Change in cash flow hedges					(320)			**(320)**		**(320)**
Transl. diff. of shares in subsidiaries						12,430		**12,430**		**12,430**
Acc.transl.diff. reclassified to profit or loss on disposal of subsidiaries						3,155		**3,155**		**3,155**
Total comprehensive income	0	0	0	0	(320)	15,585	6,214	**21,479**	1,707	**23,186**
Payment of dividends							(9,276)	**(9,276)**	(48)	**(9,324)**
Share option charge for the period				1,321				**1,321**		**1,321**
Share option vested during the period	11	6,357		(992)			(10)	**5,366**		**5,366**
Change in non-controlling interests							(1,434)	**(1,434)**	(1,179)	**(2,613)**
Purchase of treasury shares	(10)	(9,299)						**(9,309)**		**(9,309)**
Minority interest arising on acquisition								**0**	(391)	**(391)**
Balance at 31 December 2020	**4,794**	**70,077**	**1,267**	**2,507**	**196**	**(35,484)**	**529,155**	**572,512**	**4,678**	**577,190**
Net profit							63,994	**63,994**	1,662	**65,656**
Change in cash flow hedges					(83)			**(83)**		**(83)**
Transl. diff. of shares in subsidiaries						(15,906)		**(15,906)**		**(15,906)**
Total comprehensive income	0	0	0	0	(83)	(15,906)	63,994	**48,005**	1,662	**49,667**
Payment of dividends								**0**	(1,330)	**(1,330)**
Share option charge for the period				2,268				**2,268**		**2,268**
Share option vested during the period	1	699		(682)			(1,217)	**(1,199)**		**(1,199)**
Balance at 31 December 2021	**4,795**	**70,776**	**1,267**	**4,093**	**113**	**(51,390)**	**591,932**	**621,586**	**5,009**	**626,595**

In June 2016 the Icelandic Parliament passed a legal reform of the Icelandic Financial Statements Act no. 3/2006 which became effective on January 1, 2016. The requirement is that retained earnings are separated into two categories: restricted and unrestricted retained earnings. Unrestricted retained earnings consist of undistributed profits and losses accumulated by the Company, less transfers to the Company's statutory reserve and other restricted retained earnings categories. The amount of restricted retained earnings is USD 380 million at year end (2020: USD 307 million).

Notes to the Consolidated Financial Statements

1. General information

Össur is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Grjothals 5, Reykjavik. Its ultimate controlling party is William Demant Invest A/S. The Consolidated Financial Statements of the Company as at and for the year ended 31.12.2021 comprise the Company and its subsidiaries (together referred to as "the Company" or "Össur”).

The Company is a global orthopaedics company, specializing in the design, development, manufacturing and sales of prosthetics and bracing and supports products. The Company sells its products worldwide, but the principal market areas are North America and Europe.

The Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand (’000), except when otherwise indicated. In preparing the Consolidated Financial Statements, the Company has applied the concept of materiality to the presentation and level of disclosure. It is the option of management that essential and mandatory information is disclosed which is relevant to an understanding by the reader of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 1 February 2022. The Consolidated Financial Statements as presented in this report are subject to approval by the Annual General Meeting of Shareholders, to be held on 8 March 2022.

The Company is listed on the Nasdaq Copenhagen Stock Exchange.

2. Quarterly statements

		Unaudited			
	Full year 2021	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
Net sales	718,669	187,542	180,289	189,992	160,846
Cost of goods sold	(263,282)	(67,007)	(68,513)	(69,513)	(58,249)
Gross profit	455,387	120,535	111,776	120,479	102,597
Gross profit margin	63%	64%	62%	63%	64%
Other income / (expenses)	1,687	1,093	85	236	273
Sales and marketing expenses	(253,885)	(67,624)	(62,309)	(64,017)	(59,935)
Research and development expenses	(31,735)	(8,397)	(8,011)	(8,055)	(7,272)
General and administrative expenses	(74,143)	(19,664)	(16,845)	(18,690)	(18,944)
EBIT	97,311	25,943	24,696	29,953	16,719
Net financial income / (expenses)	(11,790)	(2,775)	(2,495)	(3,700)	(2,820)
Net exchange rate difference	1,119	334	764	(1,127)	1,148
EBT	86,640	23,502	22,965	25,126	15,047
Income tax	(20,984)	(5,947)	(5,535)	(5,846)	(3,656)
Net profit	**65,656**	**17,555**	**17,430**	**19,280**	**11,391**
EBITDA	148,954	40,613	37,310	42,382	28,649
EBITDA margin	21%	22%	21%	22%	18%

EBITDA is calculated as earnings before interest, taxes, depreciation, impairment and amortization. Financial items and share in net profit or loss of associated companies are not included in the EBITDA measurement.

Notes to the Consolidated Financial Statements

3. Net Sales

	2021	2020
Specified according to geographical segments:		
Americas	338,882	307,135
EMEA	315,173	266,902
APAC	64,614	55,466
Total	**718,669**	**629,503**

Specified according to product lines:		
Prosthetics	452,772	372,058
Bracing and Supports	265,897	257,445
Total	**718,669**	**629,503**

Timing of revenue recognition

Revenues from additional sold warranties and service checks included in standard warranties are released over the warranty period. Refer to note 36 for accounting policy on revenue recognition and note 27 for breakdown of revenues recognised over time and amounts deferred and released during the year. All other revenues are released at point in time.

4. Segment Information

Information reported to the President and CEO for the purposes of resource allocation and assessment of segment performance focuses on geographical markets from the location of customers. The geographical segments are EMEA (Europe Middle-East and Africa), Americas and APAC (Asia-Pacific).

2021	**Americas**	**EMEA**	**APAC**	**Eliminations**	**Consolidated**
Sales					
External sales	338,882	315,173	64,614	0	718,669
Inter-segment sales	100,542	418,317	9,630	(528,489)	0
Total sales	439,424	733,490	74,244	(528,489)	718,669
Results					
Segment results	38,156	47,206	11,949	0	97,311
Net financial income / (expenses)					(10,671)
EBT					86,640
Income tax					(20,984)
Net profit					**65,656**
Balance sheet 31.12.2021					
Segment assets	649,080	532,865	64,970	0	1,246,915
Segment liabilities	145,873	455,935	18,512	0	620,320
Other information					
Capital additions	6,661	18,235	1,792	0	26,688
Depreciation, impairment and amortization	18,553	30,674	2,416	0	51,643

The majority of inter-segment sale prices are set using the Transactional Net Margin Method (TNMM).

Notes to the Consolidated Financial Statements

2020	Americas	EMEA	APAC	Eliminations	Consolidated
Sales					
External sales	307,135	266,902	55,466	0	629,503
Inter-segment sales	90,941	360,397	8,625	(459,963)	0
Total sales	398,076	627,299	64,091	(459,963)	629,503
Results					
Segment results	5,878	14,920	7,489	0	28,288
Net financial income/(expenses)					(15,568)
EBT					12,720
Income tax					(4,799)
Net profit					**7,921**
Balance sheet 31.12.2020					
Segment assets	616,806	539,113	58,412	0	1,214,331
Segment liabilities	151,706	468,843	16,592	0	637,141
Other information					
Capital additions	3,164	18,558	2,300	0	24,022
Depreciation, impairment and amortization	17,728	45,634	1,337	0	64,699

5. Sales and expenses split by main currencies

	2021			2020		
	LCY	USD	%	LCY	USD	%
Sales						
USD	310,130	310,130	43%	293,548	293,548	47%
EUR	139,681	165,119	23%	120,125	136,888	22%
ISK	327,759	2,579	0%	277,592	2,056	0%
Nordic curr. (SEK, NOK, DKK)		102,099	14%		91,602	14%
Other (GBP, AUD, CAD & Other)		138,742	19%		105,409	17%
Total		**718,669**	**100%**		**629,503**	**100%**
COGS and OPEX						
USD	289,268	289,268	47%	293,249	293,249	49%
EUR	94,175	111,274	18%	103,458	117,080	19%
ISK	7,476,759	58,840	10%	8,176,402	60,642	10%
Nordic curr. (SEK, NOK, DKK)		91,396	15%		84,001	14%
Other (GBP, MXN, CAD & Other)		70,580	11%		46,244	8%
Total		**621,358**	**100%**		**601,215**	**100%**

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

6. Other income / (expenses)

Other income / (expenses) in 2020 consist mainly of cost related to divestment of subsidiaries, as described in note 31.

Notes to the Consolidated Financial Statements

7. Salaries

	2021	2020
Salaries	239,363	219,485
Salary-related expenses	53,497	49,258
	292,860	**268,743**

Full time employees (FTE) on average	3,761	3,505
Full time employees at period end	3,668	3,385

Included in salary-related expense are pension related expenses amounting to USD 17.6 million (2020: USD 14.0 million).

Salaries and salary-related expenses, classified by functional category:

	2021	2020
Cost of goods sold	67,199	65,201
Sales and marketing expenses	154,998	137,396
Research and development expenses	21,746	20,422
General and administrative expenses	48,917	45,724
	292,860	**268,743**

Management salaries and benefits

	Salaries		**Shares owned (ii)**	
Board of Directors:	**2021**	**2020**	**2021**	**2020**
Niels Jacobsen - Chairman of the Board(i)	100	100	219.493.992	219.493.992
Kristján Tómas Ragnarsson - Vice Chairman in 2020	0	60	0	0
Svafa Grönfeldt - Vice Chairman in 2021	60	40	0	0
Alberto Esquenazi	40	0	0	0
Arne Boye Nielsen	40	40	0	0
Guðbjörg Edda Eggertsdóttir	40	40	26,318	26,318

(i) Shares owned by William Demant Invest A/S which Niels Jacobsen represents on the Board. Niels and financially related parties own personally 203,330 shares (2020: 203,330 shares).
(ii) Shares owned are displayed in total number of owned shares, not rounded to the nearest thousand.

The Board of Directors did not hold any share option contracts at the end of the current period nor at the end of the prior year period.

2021	**Fixed base salary**	**Cash based incentive**	**Pension**	**Other benefits**	**Share based incentive**	**Total remuneration**
Executive Management:						
Jón Sigurðsson President and CEO(i)	1,054	707	21	159	416	2,357
Executive management (7 people) (ii)	2,429	979	303	50	814	4,576
	3,483	**1,687**	**324**	**210**	**1,230**	**6,934**

2020	**Fixed base salary**	**Cash based incentive**	**Pension**	**Other benefits**	**Share based incentive**	**Total remuneration**
Executive Management:						
Jón Sigurðsson President and CEO(i)	956	0	0	163	330	1,448
Executive management (7 people) (ii)	2,031	0	252	52	536	2,871
	2,987	**0**	**252**	**214**	**866**	**4,319**

(i) Shares owned by Jón Sigurðsson 902,708 (2020: 899,474)
(ii) Shares owned by members of executive management at year end 972,462 (2020: 918,159).

Notes to the Consolidated Financial Statements

8. Fees to Auditors

	2021	2020
Audit of Financial Statements	1,569	1,459
Other services	215	592
	1,784	**2,051**

9. Financial Income / Expenses

	2021	2020
Interests on bank deposits	168	459
Share in profit of associated companies	396	290
Other financial income	420	481
Financial income	**984**	**1,230**
Interests on loans	(5,117)	(5,158)
Interest on leases	(4,681)	(4,453)
Other financial expenses	(2,976)	(1,307)
Financial expenses	**(12,774)**	**(10,918)**
Net exchange rate differences	1,119	(5,880)
Net financial expenses	**(10,671)**	**(15,568)**

In the year 2020, accumulated translation difference amounting to USD 3.2 million loss, relating to divestment of subsidiaries, was reclassified from equity to net exchange rate difference.

Notes to the Consolidated Financial Statements

10. Income Tax

	2021	2020
Current tax expenses	(19,487)	(9,002)
Deferred tax expenses	(1,497)	4,203
	(20,984)	**(4,799)**

	2021		2020	
	Amount	**%**	**Amount**	**%**
Earnings before taxes	86,640		12,720	
Income tax calculated at 20%	(17,328)	20%	(2,544)	20%
Effect of different tax rates of other jurisdictions	(2,550)	3%	224	(2%)
Effect of non-deductible expenses / non-taxable income	(678)	1%	(3,137)	25%
Effect of change in tax rate	(3)	0%	(41)	0%
Other effects	(425)	0%	699	(5%)
	(20,984)	**24%**	**(4,799)**	**38%**

The 20% tax rate used for 2021 and 2020 in the above tax rate reconciliation is the statutory corporate income tax rate applicable to entities subject to tax in Iceland. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax:	**2021**	**2020**
Origination and reversal of temporary differences	(1,500)	4,162
Effect of changes in tax rate	3	41
	(1,497)	**4,203**

Deferred tax recognized in the Consolidated Income Statement:

2021	**1/1/2021**	**Recognized in Income Statement**	**Recognized directly in equity**	**Acquisitions / disposals**	**Exc. rate difference**	**31.12.2021**
Goodwill	(10,122)	(1,215)			41	(11,296)
Intangible assets	(7,910)	178		(38)	227	(7,543)
Property, plant and equipment	(1,979)	100			2	(1,877)
Tax loss carry forward	2,897	(708)			(123)	2,066
Inventories	4,337	8			4	4,349
Provisions	2,151	767			(35)	2,883
Current liabilities	4,814	357			(32)	5,139
Receivables	1,993	(991)		(218)	(26)	758
Other	5,278	7	(1,718)		(29)	3,538
Total	**1,459**	**(1,497)**	**(1,718)**	**(256)**	**29**	**(1,983)**

2020	1/1/2020	Recognized in Income Statement	Recognized directly in equity	Acquisitions / disposals	Exc. rate difference	31.12.2020
Goodwill	(7,617)	(2,449)			(56)	(10,122)
Intangible assets	(9,638)	3,118		(1,133)	(257)	(7,910)
Property, plant and equipment	(2,888)	858		81	(30)	(1,979)
Tax loss carry forward	836	3,001		(1,051)	111	2,897
Inventories	5,818	(1,484)		(4)	7	4,337
Provisions	2,159	(46)		(8)	46	2,151
Current liabilities	3,996	182		643	(7)	4,814
Receivables	1,485	266		232	10	1,993
Other	3,260	757	1,559	(316)	18	5,278
Total	**(2,589)**	**4,203**	**1,559**	**(1,556)**	**(158)**	**1,459**

The Company has unused tax losses available for which no deferred tax asset is recognized. At year end 2021 these unused tax losses amounted to USD 15.0 million (2020: USD 15.1 million). Of this amount, USD 6.4 million of unused tax losses will expire in 5-10 years (2020: USD 6.5 million). The remaining tax losses carry an indefinite term.

11. Earnings per share

	2021	2020
Net profit	65,656	7,921
Total weighted average number of ordinary shares (in '000)	422,161	421,775
Total weighted avg. number of shares incl. potential shares (in '000)	422,795	422,725
Earnings per share (US cent)	15.6	1.9
Diluted earnings per share (US cent)	15.5	1.9

Notes to the Consolidated Financial Statements

12. Property, plant and equipment

2021	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	2,251	69,654	45,193	15,701	132,799
Reclassification	(430)	0	331	99	0
Additions	118	8,867	3,912	4,062	16,959
Acquired on acquisition of subsidiary	63	519	526	(21)	1,087
Exchange rate differences	(136)	(1,059)	(1,902)	(432)	(3,529)
Eliminated on disposal	(260)	(1,575)	(637)	(996)	(3,468)
Fully depreciated assets	0	(4,075)	(1,342)	(1,054)	(6,471)
At 31. December 2021	1,606	72,331	46,081	17,359	137,377
Depreciation					
At 1 January	233	41,165	22,196	10,739	74,333
Reclassification	0	0	(59)	59	0
Charge for the period	184	9,009	5,865	3,498	18,556
Exchange rate differences	(5)	(729)	(951)	(325)	(2,010)
Eliminated on disposal	0	(1,044)	(349)	(987)	(2,380)
Fully depreciated assets	0	(4,075)	(1,342)	(1,054)	(6,471)
At 31. December 2021	412	44,326	25,360	11,930	82,028
At 31. December 2021	**1,194**	**28,005**	**20,721**	**5,429**	**55,349**

Depreciation classified by functional category:	2021	2020
Cost of goods sold	8,571	9,925
Sales and marketing expenses	5,071	3,328
Research and development expenses	833	1,190
General and administrative expenses	4,081	3,883
Total	**18,556**	**18,326**

2020	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	Total
Cost					
At 1 January	12,498	89,640	48,869	16,089	167,096
Additions	136	6,037	5,215	2,380	13,768
Acquired on acquisition of subsidiary	2,000	2,270	1,064	185	5,519
Exchange rate differences	619	1,726	1,524	530	4,399
Eliminated on disposal/divestment	(13,002)	(19,735)	(3,438)	(1,532)	(37,707)
Fully depreciated assets	0	(10,284)	(8,041)	(1,951)	(20,276)
At 31. December 2020	2,251	69,654	45,193	15,701	132,799
Depreciation					
At 1 January	9,563	55,610	26,445	10,283	101,901
Charge for the period	197	9,684	5,111	3,334	18,326
Exchange rate differences	453	1,322	832	361	2,968
Eliminated on disposal/divestment	(9,980)	(15,167)	(2,151)	(1,288)	(28,586)
Fully depreciated assets	0	(10,284)	(8,041)	(1,951)	(20,276)
At 31. December 2020	233	41,165	22,196	10,739	74,333
At 31. December 2020	**2,018**	**28,489**	**22,997**	**4,962**	**58,466**

None of the Company's property, plant and equipment are pledged. Major divestments are subject to bank approval.

Notes to the Consolidated Financial Statements

13. Leases

Right of use assets

2021	Buildings & sites	Machinery & equipment	Total
At 1 January	111,174	1,735	112,909
Additions and renewals	36,442	3,107	39,549
Depreciation charge for the period	(19,567)	(1,738)	(21,305)
Eliminated on disposal	(1,009)	(2)	(1,011)
Exchange rate differences	(3,048)	(363)	(3,411)
At 31. December 2021	**123,992**	**2,739**	**126,731**

Depreciation classified by functional category:	2021	2020
Cost of goods sold	8,522	7,381
Sales and marketing expenses	4,261	3,690
Research and development expenses	2,557	2,214
General and administrative expenses	5,965	5,170
Total	**21,305**	**18,455**

2020	Buildings & sites	Machinery & equipment	Total
At 1 January	94,791	3,427	98,218
Additions and renewals	31,566	794	32,360
Depreciation charge for the period	(16,545)	(1,910)	(18,455)
Eliminated on disposal / divestment	(1,977)	(753)	(2,730)
Exchange rate differences	3,339	177	3,516
At 31. December 2020	**111,174**	**1,735**	**112,909**

Lease liabilities

Maturity analyses:	31.12.2021	31.12.2020
In 2022 / 2021	25,403	22,632
In 2023 / 2022	23,555	21,546
In 2024 / 2023	21,048	19,991
In 2025 / 2024	17,376	19,991
Later	76,484	68,721
Total	**163,866**	**152,881**
Less: Present value discount	(23,948)	(27,011)
Lease liability	**139,918**	**125,870**

Lease expenses recognised in consolidated income statement:	2021	2020
Depreciation expense from right of use assets	21,305	18,455
Interest expense and exchange difference on lease liabilities	3,751	4,453
Short-term and low value lease expenses not included in lease liabilities	687	681
Total	**25,743**	**23,589**

Total cash outflow for leases	24,728	21,500

14. Goodwill

	2021	2020
At 1 January	612,191	521,046
Arising on acquisition of subsidiaries	50,369	87,733
Purchase price allocation	(1,913)	(6,815)
Exchange rate differences	(16,379)	15,474
Impairment	(115)	(5,247)
At 31. December 2021	**644,153**	**612,191**

If the initial accounting for a business combination is incomplete at year end, the Company reports provisional amounts. The accounting for the acquisitions in the year have been provisionally finalized. The fair value of assets and liabilities provisionally determined, based on management best estimate, is USD 2.5 million (2020: USD 5.1 million). Fair value changes related to prior year acquisitions amounted to USD 0.6 million (2020: USD 1.7 million).

During the year, the Company assessed the recoverable amount of goodwill and determined that none of the Company's cash-generating units have suffered an impairment loss. The Company recognized USD 5.2 million impairment in 2020 related to divestment of subsidiaries, the impairment is shown as part of other income/(expenses) in the Consolidated Income Statement 2020.

The carrying amount of goodwill was allocated to the following cash-generating units:

	WACC %	31.12.2021	31.12.2020
Americas	8.3 / 8.1	421,562	383,011
EMEA	7.8 / 8.1	206,046	211,652
APAC	8.7 / 9.0	16,545	17,528
Total		**644,153**	**612,191**

The recoverable amount of the cash-generating units is determined based on a value in use calculation which uses cash flow projections based on the financial forecast for 2022 approved by management and the Board of Directors. The discount rate of 7.8 - 8.7% (2020: 8.1 - 9.0%) per annum was used.

Cash flow projections in the forecast are based on gradual margin improvements throughout the period. Cash flows beyond 2026 have been extrapolated using a steady 2,5% per annum growth rate for all cash-generating units. This growth rate does not exceed the long-term average growth rate for the market in each market area. Management believes that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Notes to the Consolidated Financial Statements

15. Other intangible assets

2021	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	40,026	18,363	2,576	44,517	105,482
Additions	113	1,251	114	1,139	2,617
Additions - internally generated	0	0	0	7,112	7,112
Acquired on acquisition of subsidiary	281	0	0	16	297
Purchase price allocation	2,076	283	0	6	2,365
Eliminated on disposal	0	(37)	(407)	(2,068)	(2,512)
Fully amortized assets	(2,831)	(58)	(361)	(1,609)	(4,859)
Exchange rate differences	(1,387)	(342)	(59)	(274)	(2,062)
At 31. December 2021	38,278	19,460	1,863	48,839	108,440
Amortization					
At 1 January	24,539	4,918	636	15,887	45,980
Charge for the period	4,442	1,155	81	5,989	11,667
Eliminated on disposal	0	(5)	0	(2,054)	(2,059)
Fully amortized assets	(2,831)	(58)	(361)	(1,609)	(4,859)
Exchange rate differences	(831)	(24)	(56)	(214)	(1,125)
At 31. December 2021	25,319	5,986	300	17,999	49,604
At 31. December 2021	**12,959**	**13,474**	**1,563**	**30,840**	**58,836**

Amortization and impairment classified by functional category:	2021	2020
Cost of goods sold	118	144
Other Income / (expenses)	0	11,327
Sales and marketing expenses	6,632	6,703
Research and development expenses	1,452	1,473
General and administrative expenses	3,465	3,024
Total	**11,667**	**22,671**

In relation to divestment of Gibaud SAS subsidiary in 2020 the Gibaud trademark was impaired. The impairment is shown as part of other income / (expenses) in the Income Statement 2020.

Notes to the Consolidated Financial Statements

2020	Cust./distrib relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	42,983	16,257	13,806	48,073	121,119
Reclassification	699	0	0	(699)	0
Additions	30	517	36	1,876	2,459
Additions - internally generated	0	0	0	7,795	7,795
Acquired on acquisition of subsidiary	0	367	104	2,133	2,604
Purchase price allocation	4,789	1,223	1,028	0	7,040
Eliminated on disposal/divestment	(19)	(227)	(1,181)	(3,414)	(4,841)
Fully amortized assets	(10,568)	(301)	(11,974)	(11,671)	(34,514)
Exchange rate differences	2,112	527	757	424	3,820
At 31. December 2020	40,026	18,363	2,576	44,517	105,482
Amortization					
At 1 January	29,057	4,100	395	24,909	58,461
Reclassification	699	0	0	(699)	0
Charge for the period	4,225	1,060	134	5,925	11,344
Impairment	0	0	11,327	0	11,327
Eliminated on disposal/divestment	0	0	0	(3,309)	(3,309)
Fully amortized assets	(10,568)	(301)	(11,974)	(11,671)	(34,514)
Exchange rate differences	1,126	59	754	732	2,671
At 31. December 2020	24,539	4,918	636	15,887	45,980
At 31. December 2020	**15,487**	**13,445**	**1,940**	**28,630**	**59,502**

16. Investment in associates

	2021	2020
At 1 January	13,352	6,099
Additions	78	6,850
Share in net profit	396	290
Dividend received	(75)	0
Exchange rate differences	(104)	113
At 31 December	**13,647**	**13,352**

17. Other financial assets

	31.12.2021	31.12.2020
Restricted cash	477	421
Other financial assets	2,447	3,520
	2,924	**3,941**

18. Inventories

	31.12.2021	31.12.2020
Raw material	30,194	24,120
Work in progress	11,443	11,812
Finished goods	62,348	57,299
	103,985	**93,231**

Inventories of USD 8.3 million (2020: USD 13.5 million) are expected to be sold or used in production after more than twelve months.

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to USD 24.2 million (2020: USD 24.3 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of USD 5.7 million (2020: USD 5.7 million) is made in the Consolidated Financial Statements to adjust income tax expense.

The cost of inventories recognized as an expense includes USD 2.5 million (2020: USD 2.1 million) in respect of write-downs of inventory to net realizable value. Reserve for obsolete inventories at year end is USD 4.8 million compared to USD 5.5 million in 2020.

19. Accounts Receivable

	31.12.2021	31.12.2020
Nominal value	108,041	103,019
Allowances for doubtful accounts	(5,273)	(4,666)
	102,768	**98,353**

The average credit period on sales of goods is 44.4 days (2020: 46.9 days). Allowance has been made for doubtful accounts. This allowance has been determined by management in reference to future expectations. Management considers that the carrying amount of receivables approximates their fair value.

Movement in the allowance for doubtful accounts	**2,021**	**2,020**
At 1 January	(4,666)	(3,793)
Impairment (losses)/gains recognized on receivables	(1,978)	(1,397)
Amounts written off as uncollectable	1,193	561
Exchange rate difference	178	(37)
At 31 December	**(5,273)**	**(4,666)**

	31.12.2021				
Accounts receivable	**Gross carrying amount at default**	**Expected credit loss rate**	**Collective allowance (lifetime ECL)**	**Individual allowance**	**Net carrying amount**
Not past due	77,340	0.1%	98	364	76,878
Less than six months past due	24,035	4.3%	1,025	570	22,440
Six to twelve months past due	3,055	35.3%	1,077	110	1,868
More than twelve months past due	3,611	51.2%	1,850	179	1,582
	108,041		**4,050**	**1,223**	**102,768**

	31.12.2020				
Accounts receivable	**Gross carrying amount at default**	**Expected credit loss rate**	**Collective allowance (lifetime ECL)**	**Individual allowance**	**Net carrying amount**
Not past due	80,135	2.3%	1,828	0	78,307
Less than six months past due	18,127	4.0%	154	578	17,395
Six to twelve months past due	1,889	13.7%	234	25	1,630
More than twelve months past due	2,868	64.4%	1,679	168	1,021
	103,019		**3,895**	**771**	**98,353**

The expected credit loss (ECL) on accounts receivable is estimated using a provision matrix by reference to past default experience, general economic conditions and an assessment of both the current as well as expected conditions, including time value of money where appropriate. Individual allowance and adjustments to the collective bad debt provision are made based on the individual assessment of customers' situation and probability of incoming payments. Refer to note 36 for further details.

The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

20. Other assets

	31.12.2021	**31.12.2020**
Prepaid expenses	14,045	12,844
VAT refundable	2,756	2,719
Receivables related to divestment of subsidiaries	1,135	10,924
Other	8,345	6,024
	26,281	**32,511**

21. Bank balances and cash equivalents

Bank balances and cash equivalents include bank balances and minor cash equivalents.

22. Issued capital and share premium

Common stock is as follows in thousands of shares:

	Issued shares	**Treasury shares**	**Total**
Balance at 1 January 2020	425,378	(3,360)	422,018
Cancellation of own shares	(2,378)	2,378	0
Sold treasury shares		1,375	1,375
Purchased treasury shares		(1,295)	(1,295)
Balance at 31 December 2020	423,000	(902)	422,098
Sold treasury shares		162	162
Balance at 31 December 2021	**423,000**	**(740)**	**422,260**

Share options contracts were settled with 162 thousands of treasury shares during the year. No share buybacks were made in 2021. Decisions on share buybacks are made in accordance with the Company‘s Capital Structure and Dividend Policy within the authorizations granted by the Annual General Meeting.

Movement in issued capital is as follows in USD thousands:

	Share capital	Share premium	Total
Balance at 1 January 2020	4,794	73,019	77,813
Sold treasury shares	11	6,357	6,368
Purchased treasury shares	(10)	(9,299)	(9,309)
Balance at 31 December 2020	4,794	70,077	74,871
Sold treasury shares	1	699	700
Balance at 31 December 2021	**4,795**	**70,776**	**75,571**

23. Share options contracts

The Company has in place a share option plan, approved at the Company's Annual General Meetings, under which managers may be granted options to purchase ordinary shares at an exercise price, determined by the average closing price on shares traded on the OMX Copenhagen stock exchange over the 20 trading days prior to the issue date. The employee must remain continuously employed with the Company until expiring date, either as an employee or in any other way, deemed satisfactory by the Company.

Each employee share option converts into one ordinary share on exercise. No amounts are paid or payable by the recipient to the Company on receipt of the option. The options carry neither rights to dividends nor voting rights and are valued using the Black-Scholes pricing model. The expected volatility assumptions used to value the options range from 30.15% to 30.30% and the annual discount rate range from -0.6% to -0.5%. The options expire one year after the exercise date. If a share option vests during a closed period for insider trading the vesting period is automatically extended until the next open window for insider trading.

The following share option contracts are outstanding at balance sheet date:

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)
Issued to Executive Management:					
Jón Sigurðsson President and CEO	1,140,000	2018 - 2021	2021 - 2024	27.7-46.8	28.0-47.7
Members of executive management (6 persons)	586,400	2018	2021	27.7-32.3	27.7-32.2
Members of executive management (4 persons)	366,400	2019	2022	32.3/45.5	33.5/47.9
Members of executive management (4 persons)	550,000	2020	2023	38.5-46.3	38.6-47.5
Members of executive management (7 persons)	870,000	2021	2024	44.6	43.6
	3,512,800				
Issued to management team:					
Six managers	243,600	2018	2021	27.5-32.3	27.7-32.2
Nine managers	265,200	2019	2022	32.3-49.8	33.5-52.3
Twenty-one managers	613,600	2020	2023	38.5-46.3	38.6-47.5
Thirty-eight managers	1,273,200	2021	2024	44.5-44.6	43.2-43.8
	2,395,600				
Total outstanding at 31 December	**5,908,400**				

Movements in share options during the period:

	2021		2020	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at 1 January	4,463,000	36.3	3,971,000	29.6
Granted during period	2,386,800	44.7	1,867,000	42.9
Forfeited during period	(166,400)	46.1	0	0.0
Exercised during period	(775,000)	28.2	(1,375,000)	25.9
Total outstanding at 31 December	**5,908,400**	**40.5**	**4,463,000**	**36.3**

Estimated remaining cost due to the share option contracts is USD 3.7 million. An expense of USD 2.3 million (2020: USD 1.3 million) is recognized in the Consolidated Income Statement for the period. Exercise period of the share options contracts is 2022-2025.

24. Borrowings

	31.12.2021		31.12.2020	
	Current	Non-current	Current	Non-current
Loans in USD	0	99,051	0	99,016
Loans in EUR	46,043	99,196	17,545	125,066
Revolver in USD	0	13,000	0	30,000
Revolver in EUR	0	50,943	0	85,896
	46,043	**262,190**	**17,545**	**339,978**

The maturity of the revolving credit facility is Q1 2023. The Company has classified the revolving credit facility as non-current liability as the intention is to use it to finance further growth of the Company.

Aggregated maturities of borrowings are as follows:

	31.12.2021	31.12.2020
In 2022 / 2021	46,043	17,545
In 2023 / 2022	129,891	14,371
In 2024 / 2023	248	186,912
In 2025 / 2024	232	1,171
Later	131,819	137,524
	308,233	**357,523**

Össur has a multicurrency term and revolving credit facility with Nordea and Danske Bank for a total amount of USD 174.2 million (USD 117.2 million outstanding and USD 57.0 million undrawn). In addition, the Company has an overdraft facility with Danske Bank for a total amount of USD 84.9 million (USD 33.1 million outstanding and USD 51.8 million undrawn). Össur has two loans with the Nordic Investment Bank for a total amount of USD 81.8 million and one loan with the European Investment Bank for a total amount of USD 75 million. All loans contain covenants that place various financial and operational restrictions on the Company and are in line with market standards for investment grade rated companies. At year end 2021, the Company was in compliance with all loan covenants. Current weighted average interest terms on floating rate loans are <100 bps +LIBOR/EURIBOR, changing in line with financial leverage.

The table below shows how cash and non-cash changes affect borrowings within the Company.

			Non-cash changes			
	31.12.2020	Cash flows	Acquisition related	Exchange rate	Transaction costs	31.12.2021
Borrowings	357,523	(29,697)	(4,819)	(15,286)	512	308,233

25. Deferred tax assets / (liabilities)

	2021	2020
At beginning of period	1,459	(2,589)
Income tax payable for the period	19,487	9,002
Calculated tax for the period	(20,984)	(4,799)
Arising on acquisition of a subsidiary	(256)	(1,556)
Recognized directly through equity	(1,718)	1,559
Exchange rate differences	29	(158)
At 31 December	**(1,983)**	**1,459**
Deferred tax in the Balance Sheet:		
Deferred tax asset	27,044	27,512
Deferred tax liabilities	(29,027)	(26,053)
	(1,983)	**1,459**

The following are the major deferred tax liabilities and assets recognized:

31.12.2021	**Assets**	**Liabilities**	**Net**
Goodwill	5,747	(17,043)	(11,296)
Intangible assets	2,539	(10,082)	(7,543)
Property, plant and equipment	850	(2,727)	(1,877)
Tax loss carry forward	2,066	0	2,066
Inventories	4,944	(595)	4,349
Provisions	2,444	439	2,883
Current liabilities	5,706	(567)	5,139
Receivables	1,227	(469)	758
Other	4,290	(752)	3,538
Total tax assets / (liabilities)	29,813	(31,796)	(1,983)
Tax asset and liabilities offsetting	(2,769)	2,769	0
	27,044	**(29,027)**	**(1,983)**

31.12.2020	**Assets**	**Liabilities**	**Net**
Goodwill	5,747	(15,869)	(10,122)
Intangible assets	2,281	(10,191)	(7,910)
Property, plant and equipment	453	(2,432)	(1,979)
Tax loss carry forward	3,032	(135)	2,897
Inventories	4,873	(536)	4,337
Provisions	2,151	0	2,151
Current liabilities	5,087	(273)	4,814
Receivables	1,993	0	1,993
Other	5,318	(40)	5,278
Total tax assets / (liabilities)	30,935	(29,476)	1,459
Tax asset and liabilities offsetting	(3,423)	3,423	0
	27,512	**(26,053)**	**1,459**

Notes to the Consolidated Financial Statements

26. Provisions

2021	Warranty provisions	Other provisions	Total
At 1 January	6,472	12,852	19,324
Additional provision recognized	6,365	4,317	10,682
Utilization of provision	(5,345)	(4,835)	(10,180)
Exchange rate differences	(106)	(258)	(364)
At 31. December 2021	**7,386**	**12,076**	**19,462**
Non-current	3,703	5,085	8,788
Current	3,683	6,991	10,674
At 31. December 2021	**7,386**	**12,076**	**19,462**

2020	Warranty provisions	Other provisions	Total
At 1 January	5,522	10,451	15,973
Additional provision recognized	5,120	7,751	12,871
Utilization of provision	(4,186)	(5,573)	(9,759)
Exchange rate differences	16	223	239
At 31. December 2020	**6,472**	**12,852**	**19,324**
Non-current	3,116	4,840	7,955
Current	3,357	8,013	11,369
At 31. December 2020	**6,472**	**12,852**	**19,324**

The warranty provision represents management's best estimate of the Company's liability under 2-5 years warranties granted on prosthetic products, based on past experience.

Other provisions include earn outs related to acquisitions and divestments of companies and restructuring provisions.

27. Deferred income

	2021	2020
At 1 January	9,834	8,917
Deferred income	3,578	3,789
Released from deferred income	(3,273)	(3,331)
Exchange rate differences	(518)	459
At 31 December	**9,621**	**9,834**
Non-current	6,250	6,739
Current	3,371	3,095
At 31 December	**9,621**	**9,834**

Deferred income relates to sale of additional warranty for prosthetic products and service checks included in standard warranty. Income from additional warranty is deferred when sold and released on a straight line basis within the warranty period. Income from service checks is deferred when sold and released when the service has been rendered. Additional warranties range from 2-6 years.

28. Other financial liabilities

Other financial liabilities consist of deferred payments relating to acquisitions amounting to USD 7.7 million, fair value of hedge contracts and fair value of a purchase option of minority shares in subsidiary amounting to USD 1.2 million (2020: USD 1.1 million).

29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

The Company engages in transactions with some of its associated companies and other related parties. The transactions consist of, among others, sale of Össur products where commercial terms and market prices apply.

Transactions and balances with related parties:

	2021	**2020**
Sales of products	3,318	867
Purchases	2,258	2,188
Receivables at 31 December	786	848

For disclosures relating to key management positions, refer to note 7.

30. Other liabilities

	31.12.2021	**31.12.2020**
Accrued expenses	15,091	17,771
Sales tax and VAT	4,025	4,686
Deferred income	3,371	3,095
Sales return accrual	1,904	1,943
Other	7,693	10,629
	32,084	**38,124**

31. Business combinations

Acquisition of subsidiaries

Össur made acquisitions during 2021 to strengthen the Company's sales channels. In the Consolidated Income Statement of the year 2021, sales amounting to USD 15.4 million (2020: USD 11.9 million) and net profit of USD 2.5 million (2020: USD 0.9 million) were related to acquisitions.

The purchase price allocation (PPA) for assets and liabilities acquired in 2020 was finalized during 2021, resulting in fair value changes of USD 0.6 million (2020: USD 1.7 million), mainly relating to fair value recognition of other intangible assets. The initial accounting for the acquisitions in 2021 has been provisionally determined at balance sheet date. The PPA will be finalized within 12 months from the acquisition date.

The total PPA amounted to USD 1.9 million (2020: USD 6.8 million), mainly related to intangible assets. Amortization of intangibles relating to the PPA was recognized in the Consolidated Income Statement for USD 0.4 million (2020: USD 0.2 million) during 2021.

Notes to the Consolidated Financial Statements

2021

Assets acquired and liabilities recognized at the date of acquisition:	Book value at acquisition date Americas	EMEA	Total	Fair value changes	Total fair value
Current assets	2,872	2,094	4,966	(414)	4,552
Non-current assets	384	1,000	1,384	2,365	3,749
Non-current liability	0	(414)	(414)	(38)	(452)
Current liabilities	(3,053)	(1,061)	(4,114)	0	(4,114)
Non controlling interest	0	(42)	(42)	0	(42)
	203	**1,577**	**1,780**	**1,913**	**3,693**

Consideration	52,149
Book value of identifiable net assets acquired	(1,780)
Fair value of identifiable net assets acquired	(1,913)
Goodwill arising on acquisition	**48,456**

Consideration	52,149
Deferred payments on current year´s acquisitions	(10,016)
Deferred payments on prior year´s acquisitions / divestments	(6,806)
Cash from acquired companies	(1,387)
Consideration shown in Cash flow	**33,940**

2020

Assets acquired and liabilities recognized at the date of acquisition:	Book value at acquisition date Americas	EMEA	Total	Fair value changes	Total fair value
Current assets	12,010	18,872	30,882	561	31,443
Non-current assets	3,523	5,215	8,738	7,040	15,778
Non-current liability	0	(15,648)	(15,648)	(786)	(16,434)
Current liabilities	(5,339)	(9,820)	(15,159)	0	(15,159)
Non controlling interest	0	391	391	0	391
	10,194	**(990)**	**9,204**	**6,815**	**16,019**

Consideration	96,937
Book value of identifiable net assets acquired	(9,204)
Fair value of identifiable net assets acquired	(6,815)
Goodwill arising on acquisition	**80,918**

Consideration	96,937
Deferred payments	(2,394)
Cash from acquired companies	(11,943)
Consideration shown in Cash flow	**82,600**

Divestment of subsidiaries

There were no divestment of subsidiaries made in 2021.

Össur divested subsidiaries during 2020 to sharpen the focus and align with Bracing and Support go-to market strategy.

In the Consolidated Income Statement of the year 2020, sales amounting to USD 51.5 million were related to these divestments. Contribution to net profit from the divested subsidiaries was negative during the year.

Notes to the Consolidated Financial Statements

2020

Assets and liabilities derecognized at the date of divestment:	**Book value at divestment date**
Current assets	44,458
Non-current assets	11,206
Non-current liability	(1,741)
Current liabilities	(22,735)
	31,188
Loss on divestment	(5,369)
Total consideration	**25,820**
Cash and cash equivalents	11,980
Deferred payment	13,840
Total consideration	**25,820**
Consideration received in cash and cash equivalents	11,980
Less cash and cash equivalents disposed	(5,667)
Consideration shown in cashflow	**6,314**

Assets eliminated and impairment related to 2020 divestments amounted to USD 17.8 million and cost related to divestment amounted to USD 5.1 million are shown as part of other income / (expenses) in the Income Statement 2020.

32. Financial instruments

Capital risk management

The Company manages capital to ensure that affiliates within the consolidation will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2020.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the equity overview.

Net debt to EBITDA
Company's management continuously reviews the capital structure. As a part of this review, the management considers, amongst other, the cost of capital and net debt to EBITDA.

The net debt to EBITDA at period end was as follows:

	31.12.2021	**31.12.2020**
Net debt	362,954	381,030
EBITDA	148,954	92,987
Net debt/EBITDA	**2.4**	**4.1**

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 36 to the Consolidated Financial Statements.

Financial risk management objectives

The Company's Corporate Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include liquidity risk, interest rate risk, foreign exchange risk and counterparty credit risk.

The general policy is to apply natural hedging to the extent possible but Össur has decided to amend its hedging policy and allow for active hedging of currency exposure that is not covered by the natural hedge in sales and costs by currency. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company is exposed to normal business risk in collecting accounts receivable. Adequate allowance is made for bad debt expenses.

Notes to the Consolidated Financial Statements

Foreign currency risk management

The Company operates on a global market, hence exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters. The general policy is to apply natural exchange rate hedging to the extent possible.

Össur currently hedges its ISK and EUR exposure, using a twelve month, quarterly layered hedging strategy. This is done with forward currency contracts where Össur sells EUR for ISK. At each balance sheet date Össur has outstanding contracts covering appr. 50% of yearly ISK costs. Due to the layered approach, hedge ratio of closed contracts is approximately 80% of ISK costs. At balance sheet date eleven forward contracts are open. The fair value of the contracts is positive of USD 0.1 million at year end 2021 (2020: USD 0.1 million). Össur applies hedge accounting (IFRS 9) to the extent possible.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
EUR	220,727	266,675	49,389	64,731
USD	235,941	222,452	86,721	100,274
ISK	37,064	30,292	8,409	12,699
SEK	23,678	26,634	13,539	13,075
GBP	6,721	5,565	8,366	8,772
Other	32,515	32,310	50,746	37,616
	556,646	**583,928**	**217,170**	**237,168**

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuation of the Iceland (ISK) and the Eurozone (EUR) currency.

The following table details the Company's sensitivity to a 10% decrease in USD against the relevant foreign currencies with all other variables fixed. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the period end for a 10% change in foreign currency rates. The table below indicates the effect on profit or loss and other equity where USD weakens 10% against the relevant currency. For a 10% strengthening of USD against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity.

	EUR (i)		ISK (ii)	
	2021	**2020**	**2021**	**2020**
Net profit	4,091	1,236	(4,203)	(3,628)
Equity	1,518	(1,248)	(3,017)	(2,136)

(i) 18% (2020: 19%) of the Company's COGS and OPEX is in EUR against 23% (2020: 22%) of its sales causing an increase in profit if the USD decreases against the EUR.

(ii) 10% (2020: 10%) of the Company's COGS and OPEX is in ISK against 0.4% (2020: 0.3%) of its sales causing a decrease in profits if the USD decreases against the ISK.

Össur currently hedges its ISK and EUR exposure, using a twelve month, quarterly layered hedging strategy. This is done with forward currency contracts where Össur sells EUR for ISK. At each balance sheet date Össur has outstanding contracts covering appr. 50% of yearly ISK costs. Due to the layered approach, hedge ratio of closed contracts is approximately 80% of ISK costs. This is not considered in the above calculations.

Notes to the Consolidated Financial Statements

Interest rate risk management

The Company is exposed to interest rate risks as funds are borrowed at floating interest rates. Interest rate risk is managed by the Company´s Treasury function and fixed rate loans or interest rate swap contracts may be used to maintain an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied. The Company did not have interest rate swap agreements outstanding during the year.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Management believes that realistic changes in floating interest rates will not materially affect the Consolidated Income Statement or the Company´s equity.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At period end the Company had a total liquidity of USD 194.0 million, consisting of undrawn revolving credit facilities of USD 108.8 million (2020: USD 173.2 million) and cash and cash equivalents of USD 85.2 million (2020: USD 102.4 million).

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
31.12.2021					
Borrowings	1.6%	51,425	274,930	26	326,381
Lease liabilities	4.3%	25,501	84,538	53,828	163,866
Non-interest bearing liabilities	-	97,774	7,753	0	105,527
		174,700	**367,221**	**53,854**	**595,774**
31.12.2020					
Borrowings	1.6%	23,687	353,105	72	376,864
Lease liabilities	4.0%	22,874	77,950	45,978	146,802
Non-interest bearing liabilities	-	96,373	11,410	0	107,784
		142,934	**442,465**	**46,050**	**631,449**

Credit risk management

The Company does not undertake trading activity in financial instruments.

Accounts receivable consist of a large number of customers spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Refer to note 19 for assessment of expected credit loss (ECL) and accounting policy on impairment on financial assets.

Book value of financial assets measured at amortized cost represents the maximum exposure to credit risk.

Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the Consolidated Financial Statements approximate their fair values.

	31.12.2021		31.12.2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities:				
Borrowings	308,233	308,678	357,523	359,041

33. Other information

From 2021, the Company is required to file the primary statements of the Consolidation Financial Statements in the new European Single Electronic Format (ESEF) and therefore those statements are prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the Consolidated Financial Statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a primary statements line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals. The Consolidated financial statements submitted to the Icelandic Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named “ossur-2021-12-31.zip”.

Össur UK Holding ltd. are claiming exemption from preparing individual audited accounts based on section 479A of the UK Companies Act 2006.

In 2021, the Company made a conversion of a non-current revolving credit facility to an overdraft facility. This increases short term borrowings.

34. Insurance

	31.12.2021		31.12.2020	
	Insurance value	**Book value**	**Insurance value**	**Book value**
Fixed assets and inventories	187,503	164,105	244,239	157,196

The Company has purchased a Property Damage & Business Interruption insurance intended to compensate for damages on owned property and temporary loss of income due to such loss. Additionally Össur has numerous insurances in place that are necessary to insure against the risks to its operations, including but not limited to product and professional liability insurance, product recall insurance, directors and officers liability and certain types of frauds towards the company.

35. Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

The following amendments to IFRS standards became mandatorily effective in the current year. The application of the below amendments has minor effects on the Consolidated Financial Statements:

- Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures and IFRS 16 – Leases, Interest Rate Benchmark Phase 2.

New and revised IFRS standards in issue but not yet effective

At the date of authorization of these Consolidated Financial Statements, the Company has not applied new and revised IFRS standards that have been issued but are not yet effective.

Management of the Company does not expect that the adoption of the standards will have a material impact on the Financial Statements of the Company in future periods.

36. Summary of Significant Accounting Policies

Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006.

Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability as market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realizable value of inventories in IAS 2 or value of assets in use in IAS 36.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- can use its power to affect its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the purchase price of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e., the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The profit and losses, assets and liabilities of associates are incorporated in the Consolidated Financial Statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the balance sheet and adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate more than the Company's interest in that associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Goodwill

Goodwill is initially recognized as an asseet at the excess of the purchase price of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree.

Goodwill is not amortized but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the Consolidated Income Statement. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Company's policy for goodwill arising on the acquisition of an associate is described in the accounting policy for Investments in associates above.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods and services

The Company sells Bracing and Support products and Prosthetics products and related services both as wholesaler and directly to customers through its own distribution channels.

Revenue is recognized for the sale of products including standard warranty when control of the goods has transferred. Control is considered transferred when the goods have been shipped or directly delivered to retail customer. Following shipment, it is considered that our customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods, and bear the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when the goods are shipped to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Sales related standard warranties serve as an assurance that the products sold comply with agreed-upon specifications, those warranties are accounted for in accordance with IAS 37 Provisions.

For some Prosthetics products, a service check is included in the standard warranty and is treated as a distinct service and is accounted for as a separate performance obligation. The customer has an option to purchase an additional warranty which is treated as a distinct service because the Company promises to provide the service to the customer in addition to the product and the standard warranty. That warranty is accounted for as a separate performance obligation.

Revenues from the sale of additional warranties are deferred when sold and released on a straight-line basis within the warranty period. Revenues from service checks included in the standard warranty are deferred when sold and released when the service has been rendered or the service obligation has ended. Deferred revenues are shown separately within liabilities in the Balance sheet

Under the Company's standard contract terms, customers have a right of return within 30-90 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned.

The Company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly unlikely that a significant reversal in the cumulative revenue recognized will occur given the consistent level of returns over previous years.

Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales, and other measures are recognized by reference to the underlying arrangement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest revenue and dividend

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the exercise price of purchase options if the Company expects to exercise the option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability if the lease term has changed, when lease payments changes in an index or rate or when a lease contract is modified, and the modification is not accounted for as a separate lease.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that depend on usage are not included in the measurement of the lease liability and the right of use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.
As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Foreign currencies

For consolidation purposes, the assets and liabilities of the Company's foreign operations are expressed in USD, which is also the Company´s functional currency, using exchange rates prevailing at the balance sheet date.
Income and expense items are translated at the average exchange rates for each month. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising, if any, are recognized in equity.

Exchange differences are recognized in the Consolidated Income Statement in the period they occur, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Transactions in currencies other than local currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Other assets, such as inventories and operating fixed assets, purchased in foreign currencies are to be valued at cost at the exchange rate prevailing on the date of the transaction.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions are eliminated. This influences the income tax expenses of the consolidated companies, and an adjustment is included in the deferred tax asset. Income tax expense is calculated in accordance with tax rates in the countries where the inventories are purchased.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognized in Other Comprehensive Income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

Property, plant and equipment

Property, plant and equipment are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner.

Property, plant and equipment which qualify for recognition as an asset are initially measured at cost. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a straight-line basis over its useful life. The depreciation charge for each period is recognized as an expense. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Customer and distribution relationships	4-10 years
Patents	5-50 years
Trademarks	3-infinitive
Software & other	2-10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at the date of the sale transaction and is recognized in the Consolidated Income Statement.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful life are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is allocated on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Intangible assets with finite useful lives are amortized on a straight- line basis over their useful lives.

The following useful lives are used in the calculation of amortization:

Buildings & sites	25-50 years
Machinery and equipment	5-10 years
Fixtures and office equipment	3-10 years
Computer equipment	2-5 years

Internally generated intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's development is recognized only if all of the following conditions are met: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where internally generated intangible asset cannot be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

After initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the class of inventory, with the majority being valued on a standard cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Warranty provision includes expected warranty costs for products sold with standard warranty and are recognized at the date of sale of the relevant products, at management´s best estimate of the expenditure required to settle the Company's obligation.
Other

Other provisions are mainly related to restructuring and earnouts related to acquisitions of companies. Restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has started to implement it or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss (FVTPL).

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Basis of preparation above.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost and account receivables. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk from initial recognition of the respective financial instrument. The Company measures the collective allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit loss on accounts receivable is estimated using a provision matrix by reference to past default experience, general economic conditions and an assessment of both the current as well as expected conditions, including time value of money where appropriate. Individual allowance and adjustments to the collective bad debt provision are made based on the individual assessment of customers' situation and probability of incoming payments. As the Company´s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company´s different geographical segments.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about significant financial difficulty of the borrower. An allowance for credit-impaired financial assets is measured on an individual basis.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

A liability is recognized in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to currency risk. Further details of derivative financial instruments are disclosed in note 32.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of cash flow of recognized liabilities or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges or hedges of net investment in foreign operations.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedge risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The hedging reserve within equity represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Hedges of net investments in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity in the foreign currency translation reserve.

Gains and losses deferred in the foreign currency translation reserve are recognized in profit or loss on disposal of the foreign operation.

Cash flow hedges

The effective portion of changes in the fair value of derivatives, that are designated and qualify as cash flow hedges, is recognized in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other financial expense / income' line item.

Amounts previously recognized in Other Comprehensive Income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the Income Statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in Other Comprehensive Income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires, is sold, terminated, exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in Other Comprehensive Income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the Consolidated Income Statement.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the set conditions and that the grants will be received. Government grants are recognized in profit or loss in the periods in which the Company recognizes the related expenses for which the grants are intended to compensate. Government grants that are received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received. Government grants that are compensating for revenue loss are presented as Other income / (expenses) in the Income Statement.

Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Revision of accounting estimates can also affect future periods.

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