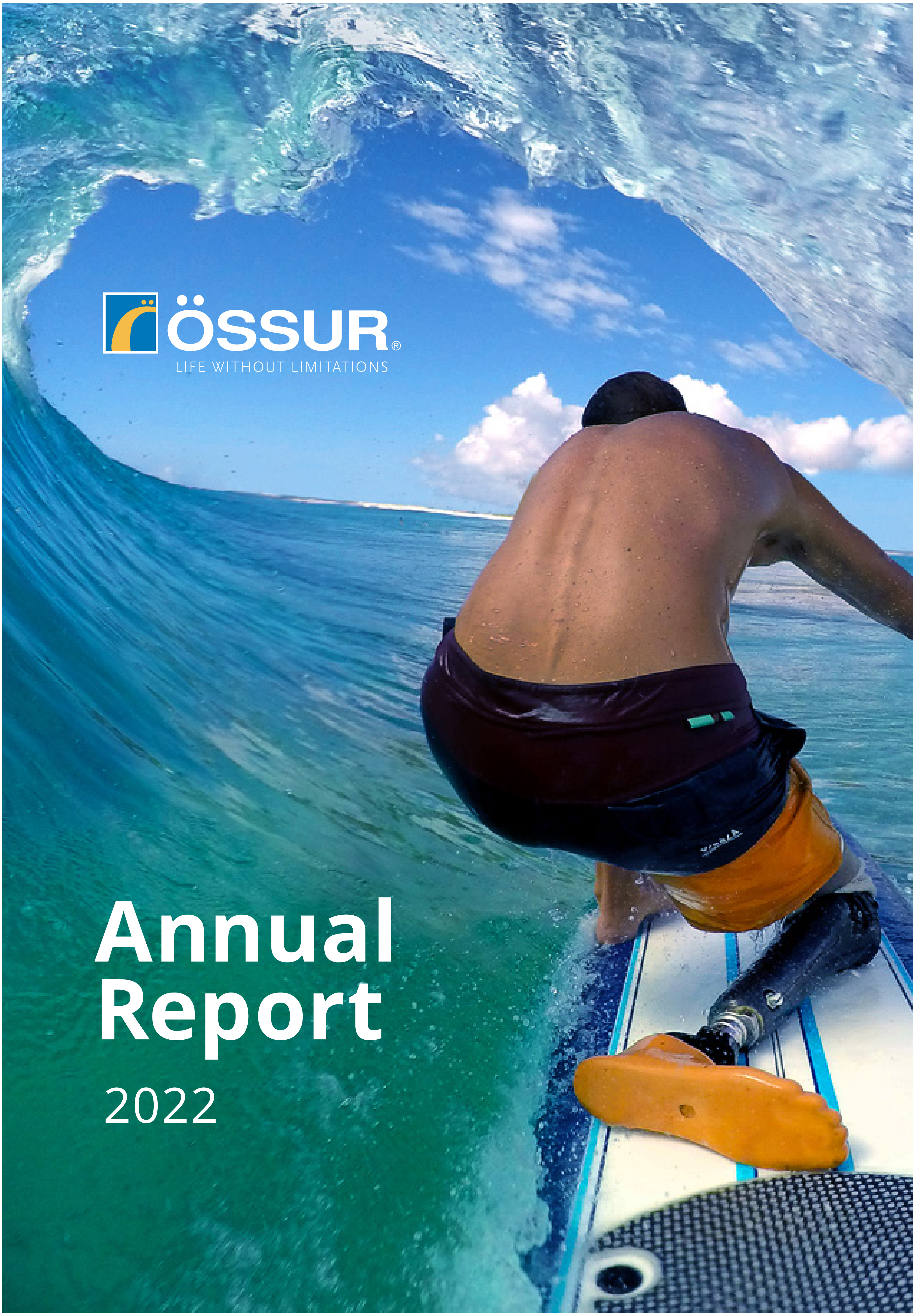

ÖSSUR
LIFE WITHOUT LIMITATIONS

Annual Report

2022

ÖSSUR
LIFE WITHOUT LIMITATIONS

Annual Report 2022

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Letter From the CEO

Positively Impacting People's Lives

Another eventful year has passed and while we look back on our accomplishments with pride, we are also looking ahead with optimism and a strong sense of purpose rooted in improving people's mobility.

The year 2022 has been anything but ordinary with the devastating war in Ukraine, effects of COVID-19 still impacting many parts of the world, supply chain challenges, and subsequent global inflation rates.

In the beginning of the year, all regions were impacted by COVID-19, but as the year progressed, the pandemic's grip on healthcare systems started to ease in many parts of the world. Although many of our markets have regained ground this year, the pandemic somewhat continued to impact our sales and operations.

Innovation remains a key pillar of our strategy. This year, our Power Knee™, the first motor powered prosthetic knee, was successfully launched in all of our regions. We were very pleased with how positively the Power Knee was received in the market and are excited about the potential of powered prosthetics to improve the mobility of even more people.

In February 2022, Össur suspended sales to Russia due to the war in Ukraine. As limb loss is unfortunately one of the tragic consequences of war, Össur has donated both prosthetic products and clinical expertise to Ukrainian people in need. Through our partnership with non-profit organization Prosthetika and participants in the Ukraine Prosthetic Assistance project, Össur clinical

specialists have provided training to Ukrainian prosthetists in Össur technology and treatment protocols. Össur has also donated a significant amount of prosthetic products and Ukrainian prosthetists have fit several individuals with Össur solutions. It is our belief that by empowering Ukrainian clinicians with knowledge and tools to serve the growing amputee population, we are contributing to a sustainable delivery model where patients' needs are at the forefront.

One of Össur's key highlights this past year was the acquisition of Naked Prosthetics, a leading provider of prostheses for finger and partial hand amputees. The acquisition strengthened our upper limb offering, allowing us to address the needs of a broader group of individuals.

"Every day, our talented team inspires me with their dedication and passion to help more people live a Life Without Limitations."

Our commitment to sustainability remains strong, as we believe sustainable growth builds a successful and responsible business for the benefit of current and future generations. This year, our environmental efforts included introducing new, eco-friendly packaging, in addition to being Carbon Neutral for scope 1 and 2, and selected scope 3 emissions.

In 2022, we had the pleasure of welcoming many new employees and two new members to our executive committee. Gudný Arna Sveinsdóttir joined as Chief Financial Officer and Hildur Einarsdóttir took on a new role as Executive Vice President of R&D. I have the utmost confidence in our team of experienced leaders and dedicated employees throughout our global organization.

Thanks to our valued customers, end-users and other partners, we have a thriving business that employs a diverse group of over 4,000 individuals around the world, and we are committed to creating a lasting positive impact on the communities we serve and do business in. As Össur continues to evolve, we have been sharpening our strategic focus in order to continue our leading role in the development of the O&P industry, and ambitious efforts to reach more people in need of our products and services.

In April, I was honored to take on the role of Össur President and CEO following the impressive and successful 26-year tenure of my predecessor, Jón Sigurdsson. It has been a pleasure interacting with investors, customers, and colleagues around the world in this new capacity. Every day, our talented team inspires me with their dedication and passion to help more people live a Life Without Limitations®.

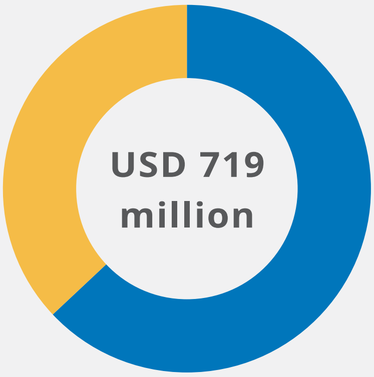
I would like to sincerely thank our employees, customers, end-users and other stakeholders for their trust and valuable partnership over the past year.

Sveinn Sölvason
President and CEO

2022 in Brief

Össur is a global leader in non-invasive orthopaedics; innovating, producing and providing advanced technological solutions to improve people's mobility so they can live their Life Without Limitations®.

Product Segments



Sales in 2022 by Product Segment

- Prosthetics **63%**
- Bracing & Supports **37%**

Regional Overview

Americas	EMEA	APAC
49% of sales	**42%** of sales	**9%** of sales
USD 351 million	USD 306 million	USD 62 million
Organic growth: 2%	Organic growth: 5%	Organic growth: 4%
FTEs: ~1,500	FTEs: ~1,500	FTEs: ~200

HQ FTEs: ~700

Financial Highlights

4%
Organic growth

18%
EBITDA margin before special items

13%
Cash generated by operations

3.2x
NIBD/EBITDA

Sustainability Highlights

99%
Renewable electricity
Electricity from renewable energy sources

51% | 49%
Gender ratio
Male | Female

38%
Female management
Female in management positions

0.8
Incident rate
Incident rate per 100 FTEs

4 of 5
Global employee satisfaction

73%
of employees
trained in our Code of Conduct

Year in Review

This year, we celebrated many notable achievements. The global commercial launch of the Power Knee™ at the beginning of the year, was an exciting milestone, followed by the addition of more waterproof products to our product portfolio. We are proud of these and many other accomplishments that embody the spirit of Life Without Limitations®.

Team Össur members and Össur Ambassadors continued to break down barriers and demonstrate their extraordinary abilities. Andrea Lanfri reached the summit of Mt. Everest, Stef Reid participated in Dancing on Ice, Femita Ayanbeku modeled for Victoria's Secret, Daniel Wagner came in second in Dancing with the Stars, Noelle Lambert competed on Survivor, Markus Rehm broke another world record in the long jump, and the list goes on. We are beyond proud of their achievements and the positive light they shine on people living with limb loss and limb difference.

Global commercial launch of the Power Knee™

Team Össur member and double below-knee amputee, Marko Cheseto, came in first place in the Boston Marathon.

Össur named as one of the Top Orthopedic Device Companies on a list published by Orthopedic Design & Technology.

Team Össur member, Hilmar Snær Örvarsson, came in 5th place in para-skiing at the Winter Paralympics in Beijing.

Össur and Nissan joined forces with the Richard Whitehead Foundation to provide running prosthetics and ongoing support to a group of young people in the UK.

Team Össur member, Daniel Wagner, came in second place in the Danish version of the television program *Dancing with the Stars*.

Össur acquired Naked Prosthetics, a market leader in mechanical partial hand and finger solutions.

Industry conferences and events such as OTWorld were held in many countries, allowing for renewed in-person contact with valued customers and partners.

Össur's prosthetic foot portfolio expanded to include 20 waterproof feet.

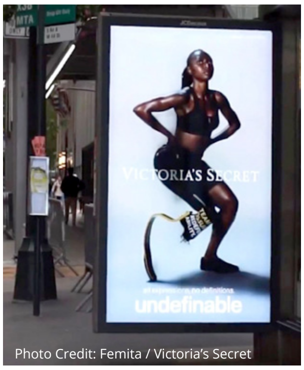
Year in Review

Össur received a grant from the Icelandic Ministry for Foreign Affairs to support clinical education efforts for Ukrainian medical professionals who fit new amputees with Össur donated products.

Team Össur member Noelle Lambert participated in the popular television series *Survivor*.

Team Össur members Fleur Jong, Marlene van Gansewinkel and Markus Rehm broke world records in sprinting and long jump.

New products such as the CTi® 3 brace and the Pro-Flex® Modular and Pro-Flex® ST prosthetic feet were well received by the market.



Team Össur member Femita Ayanbeku featured in a Victoria's Secret campaign.

Paralympic athlete, Stef Reid, competed on the popular UK television program *Dancing on Ice*.

Össur Ambassador, Andrea Lanfri, became the first Italian with multiple amputations to reach the summit of Mt. Everest, with 4 world-records broken during his expedition. Andrea also climbed Mt. Kilimanjaro and Mt. Kenya this year.

Team Össur member Jody Cundy won his 13th Gold medal in para-cycling at the UCI Para-Cycling Track World Championships.

Össur Ambassador Natalie Nussbaum participated in Miss Germany.

Iceland's First Lady, Eliza Reid, met virtually with the First Lady of Ukraine, Olena Zelenska. Among the topics they discussed was Össur's humanitarian aid project in Ukraine.

Sveinn Sölvason became Össur's new President and CEO.

Gudný Arna Sveinsdóttir was appointed as Össur's Chief Financial Officer.

Hildur Einarsdóttir took on the position of Executive Vice President of Research and Development.

Össur at a Glance

We Improve People's Mobility

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

Since the foundation of Össur in 1971, we have grown through a healthy combination of organic development and acquisitions, both in Prosthetics and Bracing & Supports. Össur has a strong presence in its industries and key markets and is well positioned to leverage future growth opportunities. Össur is listed on Nasdaq Copenhagen, has operations in 36 countries and has around 4,000 employees worldwide. Össur is signatory to the UN Global Compact, UN Women's Empowerment Principles, contributes to the UN Sustainable Development Goals and has since 2021, been Carbon Neutral for scope 1 and 2, and selected scope 3 emissions.

Life Without Limitations®

We strive to create a Life Without Limitations for the many people who use our products and solutions. They are at the core of everything we do, and we specialize in providing qualitative and comprehensive solutions to a wide range of individual needs.

Our End-Users

We help individuals to advance their everyday life and pursue their goals. Prosthetics are used by people who were born with limb loss or limb difference, or who have had limbs amputated for a variety of reasons. Vascular diseases including diabetes as well as cancer, trauma, and congenital defects are some of the more common reasons. The users of our prosthetic products and solutions range from children to the elderly, and from low to high active people and successful athletes. 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 and solutions. By understanding their 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 2022, we introduced 15 new products to the market.

Our Product Segments

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

Our Product Segments

Prosthetics

63%
of total sales

Bracing & Supports

37%
of total sales

Sub-Segment	End-User Profile	Improving Mobility
Mechanical Products	People living with lower and upper limb loss or limb difference	Broad product offering of lower limb prosthetics and finger prostheses
Bionic Products	People living with lower and upper limb loss or limb difference	Advanced microprocessor controlled feet, knees, hands and fingers

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 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.

Mechanical Products

Össur's mechanical product portfolio includes lower limb prosthetics and finger prostheses.

Bionic Products

Össur's bionic product portfolio includes advanced microprocessor-controlled feet, knees, hands, and fingers. The bionic products include integrated sensors, computing power, internal intelligence and actuators that help the individual to move more naturally. Sales of bionic products accounted for 21% of prosthetics component sales in 2022.

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

- People of all ages living with lower limb loss or limb difference
- People of all ages living with upper limb loss or limb difference

Bracing & Supports

- People that require post-operative treatment
- People in rehabilitation for PCL ruptures
- People requiring protection and joint stabilization
- People with joint 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	**2022**	**2021**	**2020**	**2019**	**2018**
Net sales	719	719	630	686	613
Gross profit	440	455	391	439	387
Operating expenses (excl. other income)	373	360	338	341	304
EBITDA	114	149	93	141	107
EBITDA before special items	128	149	93	150	115
EBIT	65	97	28	98	79
Net profit	43	66	8	69	80
Sales growth					
Sales growth USD %	0	14	(8)	12	8
- Organic growth %	4	10	(10)	5	5
- Currency effect %	(7)	3	0	(4)	1
- Acquired/divested business %	3	1	2	11	2
Balance Sheet					
Total assets	1,325	1,247	1,214	1,091	914
Equity	636	627	577	569	538
Net interest-bearing debt (NIBD)	404	363	381	302	180
Cash Flow					
Cash generated by operations	92	128	119	120	92
Free cash flow	35	74	68	63	39
Key ratios					
Gross profit margin %	61	63	62	64	63
EBIT margin %	9	14	4	14	13
EBITDA margin %	16	21	15	21	18
EBITDA margin before special items %	18	21	15	22	19
Equity ratio %	48	50	48	52	59
NIBD to EBITDA	3.2	2.4	4.1	2.0	1.6
Effective tax rate %	23	24	38	24	18
Return on equity %	7	11	1	12	15
CAPEX to net sales %	3.6	3.7	3.8	4.6	5.0
Full time employees at period end	3,892	3,761	3,385	3,449	3,147
Full time employees on average	3,866	3,688	3,505	3,382	2,775
Market					
Market value of equity	2,035	2,724	3,380	3,340	2,055
Number of shares in millions	423	423	423	425	431
EPS in US cents	10.3	15.6	1.9	16.3	18.8
Diluted EPS in US cents	10.3	15.5	1.9	16.2	18.7

Performance in 2022

Financial Performance in 2022

- Sales amounted to USD 719 million in 2022. Sales increased by 7% in local currency and by 4% organic, in line with the guidance for 2022.
- Prosthetics sales increased by 4% organic and Bracing & Supports sales increased by 3% organic in 2022.
- Due to the strengthening of the USD against the EUR and other key currencies, reported sales were negatively impacted by USD 47 million in 2022 compared to 2021.
- Gross profit margin was 61% in 2022 or 62% excluding special items, mainly in connection to cost saving initiatives announced in Q3 2022, compared to 63% in 2021.
- The EBITDA margin before special items in 2022 was 18%, in line with guidance, compared to an EBITDA margin before special items of 21% in 2021. The EBITDA margin before special items in 2022 was mainly affected by temporary high supply chain and manufacturing cost.
- Net profit in 2022 amounted to USD 43 million compared to USD 66 million in 2021.
- Cash generated by operations amounted to USD 92 million or 13% of sales in 2022.
- NIBD/EBITDA before special items was 3.2x at the end of 2022, above the target level of 2.0-3.0x due to higher net debt in connection to renewals of lease agreements, lower cash generated by operations and adverse FX impact. In line with Össur's Capital Structure and Capital Allocation Policy, Össur continues to temporarily pause share buybacks as NIBD/EBITDA before special items is above the target leverage range.
- The financial guidance for the full year 2023 is 4-8% organic sales growth, 17-20% 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 2022	FY 2021	FY Guidance 2023
Net sales	719	719	
Sales growth, organic	4%	10%	4-8%
Gross profit margin	61%	63%	
EBITDA	114	149	
EBITDA margin	16%	21%	
EBITDA before special items	128	149	
EBITDA margin before special items	18%	21%	17-20%
CAPEX as % of sales	4%	4%	3-4%
Effective tax rate	23%	24%	23-24%

Financial Performance

Sales Performance

Sales amounted to USD 719 million in 2022, compared to USD 719 million in 2021, corresponding to a 4% increase organic, a 7% increase including acquisitions (local currency growth) and a flat reported growth (USD growth).

Currency movements in 2022 impacted sales growth negatively by USD 47 million, which corresponds to about a 7%-point negative effect on the reported growth rate.

In 2022, Össur completed acquisitions of entities with combined annual sales of USD 19 million, including the acquisition of Naked Prosthetics, a leading provider of functional finger prostheses for finger and partial hand amputees.

Sales by Geographical Segment (USD million)

	FY 2022	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*
Americas	351	2%	2%	0%	4%
EMEA	306	5%	5%	-13%	(3%)
APAC	62	4%	0%	-9%	(4%)
Total	**719**	**4%**	**3%**	**-7%**	**0%**

* growth/(decline)

Sales by Product Segment (USD million)

	FY 2022	Organic growth*	Δ Acq. / div.	Δ Curr. Effect	USD growth*
Prosthetics	456	4%	3%	-6%	1%
Bracing & Supports	263	3%	4%	-8%	(1%)
Total	**719**	**4%**	**3%**	**-7%**	**0%**

* growth/(decline)

Product Segments

Prosthetics sales in 2022 amounted to USD 456 million and increased by 4% organic. Sales of bionic products accounted for 21% of prosthetics component sales in 2022. Bionic sales growth was strong towards the end of the year, accounting for 25% of prosthetics component sales in Q4 2022, mainly driven by Power Knee sales. Going into 2023, the demand for this first motor powered prosthetic knee continues to be high. Bracing & Supports sales in 2022 amounted to USD 263 million and increased by 3% organic.

Operations

Gross profit in 2022 amounted to USD 440 million or 61% of sales compared to USD 455 million or 63% of sales in 2021. Gross profit margin in 2022 was 62% excluding special items, mainly in connection to cost saving initiatives announced in Q3 2022. Supply chain challenges, including sourcing of raw materials and components, continued to have a short-term negative effect on productivity. In addition, supply chain cost increases adversely affected cost of goods sold by USD 13 million in 2022 from pre-pandemic levels in 2019.

Operating expenses (OPEX) amounted to USD 375 million or 52% of sales in 2022. In Q3 2022, Össur made organizational changes and initiated cost savings to support further growth and profitability, and simplified operations to better leverage key strategic locations. Total annual cost savings amount to USD 15 million and are expected to materialize from the beginning of 2023. Össur plans to reinvest around one third of the cost savings into Össur's Emerging Markets platform and digital initiatives. One-time implementation cost of USD 15 million in connection to the organizational changes and cost savings initiatives were a substantial part of higher OPEX for the year. Excluding special items, OPEX was 51% of sales in 2022.

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

Operating Profit

In 2022, EBITDA before special items amounted to USD 128 million or 18% of sales compared to EBITDA before special items of USD 149 million or 21% of sales in 2021. The EBITDA margin before special items in 2022 was below a normalized level, both due to adverse impact on sales as well as higher supply chain related cost and OPEX. COVID-19 impacted sales in China and sales to Russia have been suspended from 24 February 2022 due to the ongoing war in Ukraine. In addition, shortage of certain raw materials and components, primarily for the new Power Knee, adversely affected sales. In addition, higher freight cost and raw material inflation increased cost of goods sold affecting profitability.

Financial Items, Income Tax and Net Profit

Net financial expenses in 2022 amounted to USD 9 million, compared to USD 11 million in 2021.

Income tax amounted to USD 13 million in 2022, corresponding to a 23% effective tax rate.

Net profit in 2022 amounted to USD 43 million, compared to USD 66 million profit in 2021. Diluted earnings per share in 2022 amounted to 10.3 US cents compared to 15.5 US cents in 2021.

Cash Flow

Cash generated by operations amounted to USD 92 million or 13% of sales in 2022 compared to USD 128 million or 18% of sales in 2020. Cash generated by operations was adversely affected by receivables inventory buildup, largely as safety stock due to long lead times and uncertainty in the supply chain.

Capital expenditures amounted to USD 26 million in 2022 or 4% of sales, in line with guidance, compared to USD 27 million, also 4% of sales in 2021.

Bank balances and cash equivalents amounted to USD 77 million at the end of 2022 and USD 56 million of existing facilities were undrawn. Bank balances and cash equivalents in addition to undrawn credit facilities at the end of 2022, therefore, amounted to USD 133 million.

Capital Structure

Net Interest-Bearing Debt

Net interest-bearing debt, including lease liabilities, at year-end 2022 amounted to USD 404 million compared to USD 363 million at year-end 2021. Net interest-bearing debt to EBITDA before special items corresponded to 3.2x at year-end 2022, above the target range in Össur's Capital Structure and Capital Allocation Policy (2.0x-3.0x NIBD/EBITDA before special items), due to higher net debt in connection to renewals of lease agreements, lower cash generated by operations and adverse FX impact.

Share Buybacks and Dividends

On 6 October 2022, Össur completed a share buyback program that was initiated on 14 February 2022, and on 10 October, Össur initiated a new share buyback program. The purpose of the program is to reduce Össur's share capital and adjust the capital structure with a desired capital level of 2.0-3.0x net interest-bearing debt to EBITDA, by distributing capital to shareholders in line with Össur's Capital Structure and Capital Allocation Policy. As the leverage was 2.8x at the end of Q3 2022, at the upper end of the desired level, Össur decided to temporarily pause share buybacks from 25 October 2022. Össur continues to pause the share buybacks as the leverage was 3.2x, above the target level, at year-end 2022.

At year-end 2022, treasury shares totaled 2,711,302.

Outlook for 2023

Financial Guidance for 2023

Guidance		
	Guidance FY 2023	Actual FY 2022
Sales growth, organic	4-8%	4%
EBITDA margin before special items	17-20%	18%
CAPEX as % of sales	3-4%	4%
Effective tax rate	23-24%	23%

Extraordinary Mountaineer Andrea Lanfri

Photo Credit: Ilaria Cariello

Össur Ambassador, Andrea Lanfri, successfully climbed Mount Everest and reached its highest peak on May 13, 2022.

Italian born Andrea, lost both of his lower legs and seven fingers due to meningitis in 2015. As a child, he always loved the mountains and often went trekking and climbing. While battling his illness in hospital, Andrea was determined to go back to the things he loved, and only one year later, he was on the track competing in sprinting and breaking Italian records. He subsequently won silver medals at the European and World Championships in Para Athletics.

Andrea soon turned his attention back to his passion for mountain climbing and seven years after his illness, he stood on the top of Mount Everest with his climbing partner Luca Montanari. Andrea is the first Italian with multiple amputations to reach the summit of Mount Everest and he completed his mission on the Össur Pro-Flex® LP Align and Pro-Flex® XC feet and Iceross® liners.

Andrea is an accomplished mountaineer and through his #My7Summits project, his goal is to reach the seven highest peaks on each continent of the world. In addition to Mount Everest, he has also summited Mont Blanc, Mount Kilimanjaro, Mount Kenya and most recently Mount Aconcagua. More peaks are planned in 2023, including a project he calls “Tutto Climb” which consists of climbing the three most difficult ice walls in North Europe.

During his Mount Everest expedition, Andrea also took on the challenge of running the world’s highest mile. At an elevation of 5,160 meters, he ran a mile on his Össur Cheetah® Xtreme blades in just 9 minutes 48 seconds, and this achievement has been confirmed as a Guinness World Record.

Andrea is an incredible individual and will certainly continue to reach the highest peak of any goal he sets for himself. He says, “Nothing is impossible, it could just be we are not fully prepared in some moments of our life. But with training and hard work, everyone can go beyond any limitations!”

Photo Credit: Ilaria Cariello

Markets

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

Medical Devices 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 people who were born with limb loss or limb difference, or who have had limbs amputated. Össur provides a full range of premium lower and upper limb prosthetics, including feet, knees, hands, fingers, liners, and other components.

The size of the global prosthetics component market is estimated to be approximately USD 1.4-1.5 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%.

Growth in the prosthetics market is mainly due to volume and product mix. The growth is driven by the renewal and maintenance cycle as well as better access to prosthetic solutions and reimbursement for higher quality Prosthetics.

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. However, due to global inflation rates, we estimate that various reimbursement systems are more likely to increase reimbursement price points in the short to medium term than in previous years.

Growth in the prosthetics industry is mostly driven by increased utilization of higher quality prosthetics that lead to increased mobility and quality of life for individuals, 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
1.4-1.5

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%.

Market growth is driven by a healthy volume growth, 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. The stakeholders can be categorized into five groups.

End-Users

People who use our products and service solutions.

Prescribers

Healthcare professionals who prescribe the products, based on the condition/ clinical indication of the end-user.

Providers

Healthcare professionals who provide end-users with products, such as CPO's, doctors, podiatrists.

Payers

Public and private insurance companies. Around 90% of Össur product sales and services are reimbursed by a third party.

Influencers

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 diseases, the leading cause of amputation.
- An increased number of fractures, joint instability, and joint afflictions.

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.

Access to healthcare improving in emerging markets

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

Increasing regulatory requirements

- Investment 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.

Increased pressure on healthcare budgets

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

Improved treatment options

- Increasing healthcare coverage and better access to patients.
- People with limb loss and limb difference more often get fitted with a prosthesis.
- Innovative products creating more benefits for prosthetic users.

Business Model

Össur develops, manufactures, and brings to market a wide range of prosthetics and bracing & supports solutions with high standards of quality. Every year, Össur makes a significant investment in research and development to further advance products and technologies for the benefit of all stakeholders. These high-end products are developed with the objective to improve people's mobility. The products are delivered to users of our products and solutions through healthcare providers who specialize in assisting individuals who suffer from impaired mobility. Össur's main sales channels for both Prosthetics and Bracing & Supports are O&P clinics which provide end-users with solutions and subsequently claim reimbursement from private or public insurance as Össur's products and services are in most cases reimbursed. Össur has also expanded in the value chain and selectively acquired O&P clinics which Össur operates.

Business Model

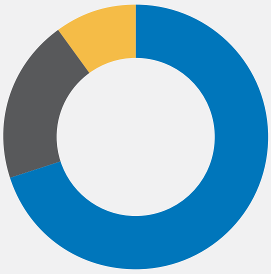
The End-Users

The end-users we serve include people with lower and upper limb loss due to, for example, vascular diseases including diabetes, as well as cancer, trauma and congenital defects. They also include individuals who require support as they may have, for example, developed osteoarthritis in knee or hip ligaments, or require enhanced healing post-surgery or due to injuries.

By collaborating closely with O&P professionals and the users of our products, Össur gains a better understanding of their needs and challenges. In turn, Össur improves their mobility by providing new technologically advanced products and service solutions.

*Orthotic & Prosthetic clinics

Prosthetics End-Users



Causes for Lower Limb Amputations

- Vascular related diseases **70%**
- Trauma **20%**
- Other **10%**

Causes for Upper Limb Amputations

- Trauma **70%**
- Other **30%**

>750,000

New major lower limb amputees per year

65-70

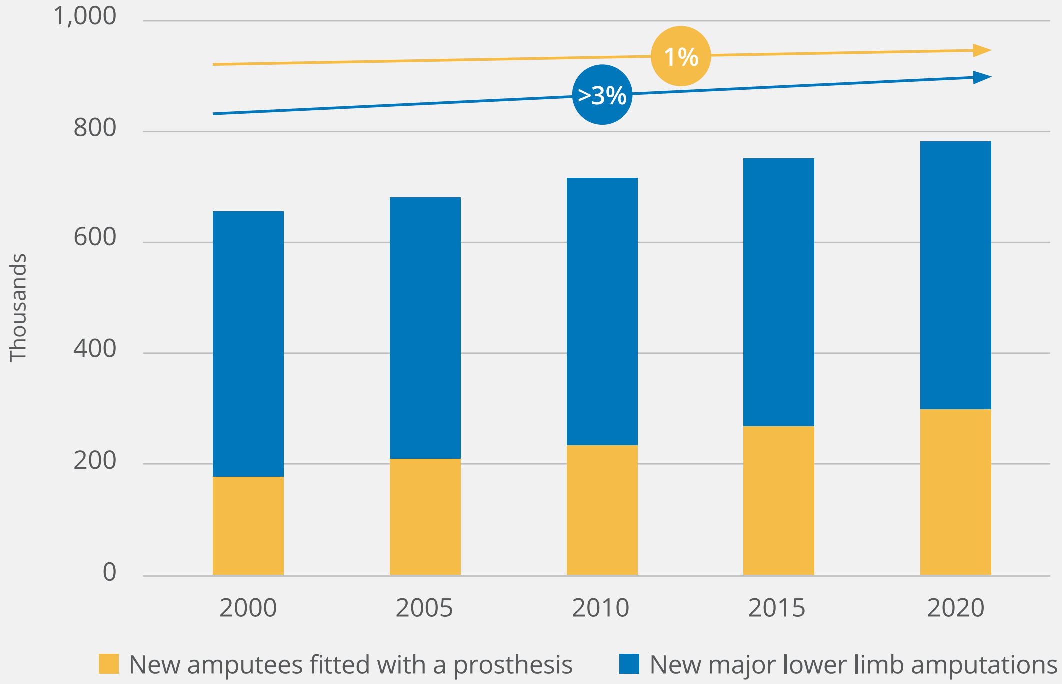
is the average age of the amputee population

>25,000

New upper limb amputees per year

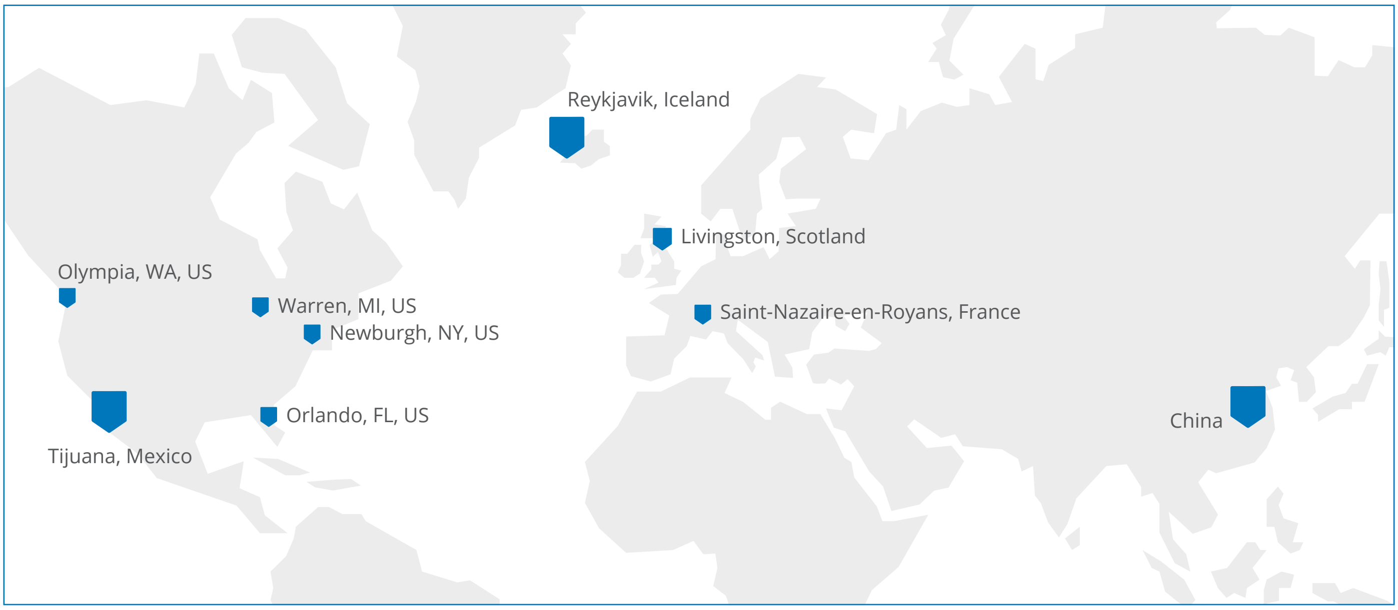
30-40%

of new amputees are fitted with prosthetic solutions



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. 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.

As part of our ambition to be at the forefront of innovation and new technology, Össur R&D participates in externally funded projects, collaborating with partners from industry and academia alike. We take part in various projects where world class scientists are involved in cutting edge research. This enables us to join forces in shaping the technology of the future with the mission of improving people's mobility.

Manufacturing and Quality

Össur maintains a strong global manufacturing function. At Össur, there is a continuous strive for efficiency, which includes finding ways to optimize the manufacturing process. Most of our products are manufactured in Iceland, Mexico and China.

Manufacturing of advanced prosthetic solutions, including bionics, takes place in Iceland and Scotland. Manufacturing of most other prosthetics solutions, components and premium bracing solutions takes place in Mexico. Finally, Össur outsources the manufacturing of soft goods to China. In addition, Össur has smaller specialized manufacturing facilities in four locations in the US and one in France.

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).

For the past years, multiple changes emphasizing safety have been implemented to the global regulatory framework for medical devices. We have successfully transformed our quality management system to ensure compliance with those changes emphasizing patient safety. Our extensive globally aligned quality management system is regularly audited 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 and solutions. In Prosthetics, these customers are O&P clinics and in Bracing & Supports, it is a combination of O&P clinics, hospitals, and surgery centers. In a few selected markets in Americas and EMEA, Össur operates its own O&P clinics.

Össur has operations in 36 countries and largely sells its products through its own direct sales network.

Prescribers, Providers and Payers

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

Össur's customers are mostly the providers of products and service solutions to end-users. 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, insurance companies and individuals. In most cases, when an individual 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 product sales and services are estimated to be reimbursed by a third party. However, reimbursement systems vary substantially between countries. In other cases, the end-user of the products pays out-of-pocket for the solution provided. Overall, Össur's sales in the Western world are mostly reimbursed while sales in emerging markets are mostly paid out-of-pocket.

One Million Steps and Counting

Jenni Urivez is an active mother of two, grandmother of five and great grandmother of two.

Having survived breast cancer five years ago, Jenni underwent numerous surgeries and further health complications which subsequently led to having her leg amputated above the knee.

As she recovered from the amputation, Jenni felt she had two choices, she could sit in a wheelchair for the rest of her life, or she could walk. So, she said to her prosthetist, “Give me a leg – I'm going to walk!” Jenni did not want to be slow. She wanted and needed to move.

Jenni says that she looks at her Össur Power Knee™ as her graduation present. “It's awesome. It reads my body and my movements. It doesn't let me fall. And if I were to have a fall, I know it would pick me up. It's amazing.”

Jenni enjoys walking to stay healthy and also gets her steps in at work. She works night shifts at a casino resort and is constantly on the go. Jenni's activity monitor has counted more than one million steps over the past year, steps that she would likely not have made without her Power Knee.

Jenni's determination and positive mindset is captured in her own words: “Don't ever put boundaries or limitations on yourself because then you're not going to be able to do what you really wanted to do.”

Strategy

Össur's mission is to improve people's mobility and our vision is to enable Life Without Limitations®. Össur is a technology pioneer and by listening to our end-users and understanding their needs, as well as continuously improving and pushing the boundaries, we continue to create advanced mobility products and services.

Össur fosters an inclusive and innovative culture with its diverse workforce. Össur continues to generate value for individuals and healthcare systems by focusing our business strategy on innovative solutions, 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 functional trade-up and ease of doing business to ensure our consistently strong position in the market.

In 2022, Össur continued to invest around 5% of sales in research and development, amounting to USD 34 million, and launched 15 prosthetic and bracing & supports products to the market. Össur has a strong IP portfolio, with more than 2,000 patents and patent applications and the Össur brand is protected by around 650 trademark registrations.

Following a limited launch in 2021, Össur's next generation Power Knee™ was fully launched in Americas in February 2022, EMEA in March and APAC in April. 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 end-user and clinician feedback. The favorable reception for this first actively powered prosthetic knee, has more than met expectations as numerous successful fittings have been conducted among amputees of all ages and abilities. Both patient and provider reception of the product are very positive which fuels our ongoing dedication to improving people's mobility.

Össur successfully launched two new waterproof prosthetic feet for low to high active individuals, the Pro-Flex® ST and Pro-Flex® Modular. Waterproof features in devices are important for people living with limb loss or limb difference as the enhance usability and further enable them to live a Life Without Limitations.

Össur is also creating solutions to facilitate ease of doing business for our customers, such as the Össur Portal as well as applying innovative technology to enhance processes. We continued with our Össur Legs service for O&P clinics in the US where Össur offers complete prosthetic leg solutions, fabrication expertise, skilled design, a streamlined ordering process, and leg maintenance services. With Össur Legs and our broad prosthetic solutions offering, consisting of a wide range of feet, knees, sockets, liners and components, we are in a unique position to enable CPOs to dedicate more time to patients' needs and optimize the productivity and value chain of O&P clinics. To support this growing offering, we have continued to invest in digital initiatives and provide the Össur Portal that contains a leg configurator catered to CPOs' needs and simplifying the ordering process.

Within the Bracing & Supports segment, Össur launched 5 new products in 2022, such as the CTi®3 knee brace which provides stabilization of the knee joint during sporting activities or daily wear. It is the latest addition to our ligament knee bracing flagship CTi® product family.

Growth

We deliver profitable and sustainable growth

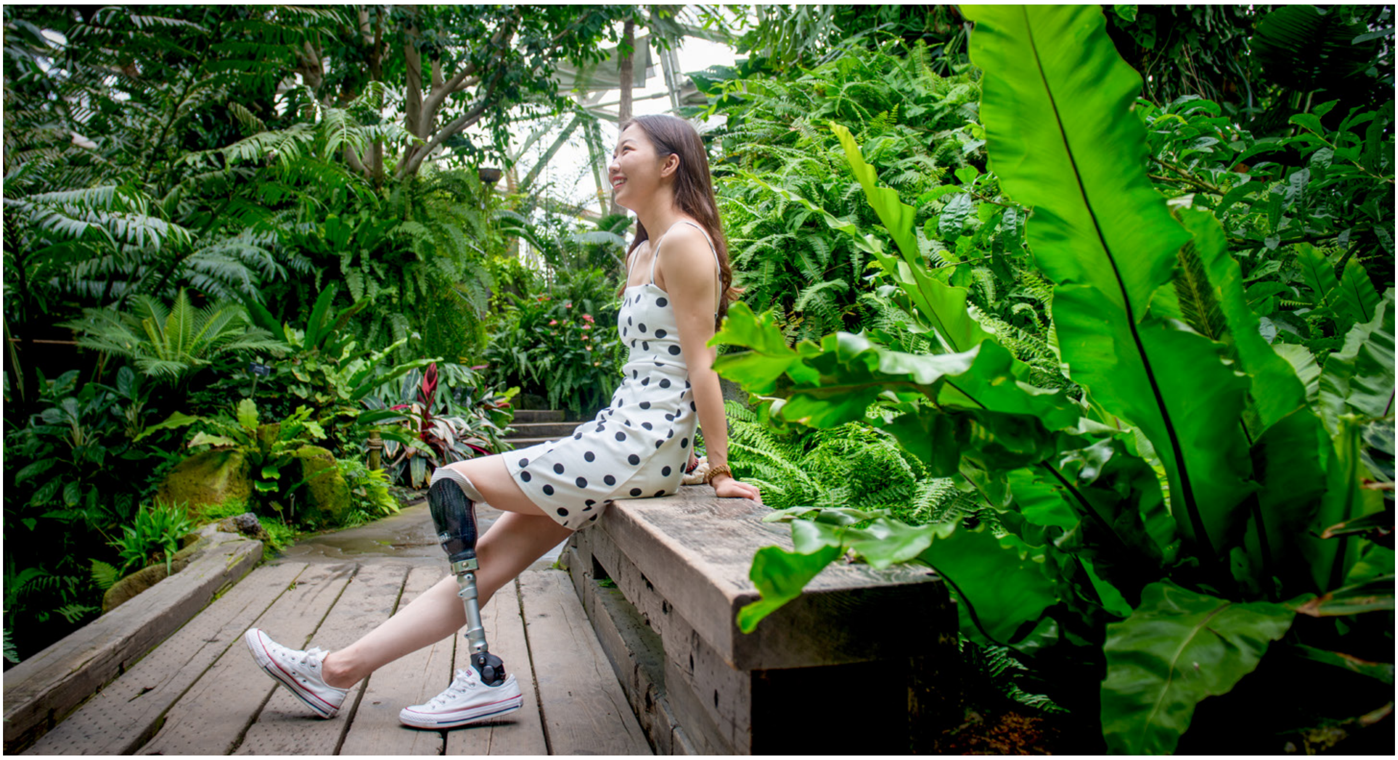
We will achieve profitable and sustainable growth by generating value for individuals, customers and healthcare systems.

Organic sales growth was 4% in 2022 in line with the guidance for the year. Despite various external challenges in 2022 such as shortage of certain raw materials and components, COVID-19 impact in China and the continuous suspension of sales to Russia due to the ongoing war in Ukraine, the business grew across all markets and business segments in 2022. We ended the year with a strong quarter of growth driven by prosthetics sales in Americas and EMEA, whereas bionic sales were particularly strong.

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 1999. Össur's main growth priorities are functional trade-up, emerging markets, expanding in the value chain, and acquisitions.

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.

Össur's strategy includes exploring growth opportunities through acquisitions that support our vision of enabling Life Without Limitations. In 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. In 2022, Össur acquired Naked Prosthetics, a leading provider of functional finger prostheses. The acquisition addresses a critical need for people with finger and partial hand loss, traditionally an underserved yet growing population. It is a welcome addition to the Össur product portfolio as it strengthens Össur's upper limb product offering globally and allows us to address a broader group of individuals.



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 in 2022 amounted to 61% of sales, or 62% excluding special items mainly in connection to cost saving initiatives announced in Q3 2022, compared to 63% of sales in 2021. The gross profit margin was affected by temporary supply chain challenges including variable cost increases and related adverse impact on productivity.

The EBITDA margin before special items in 2022 was 18%, in line with the guidance for the year. The EBITDA margin before special items was below a normalized level, both due to adverse impact on sales as well as higher supply chain related cost and OPEX.

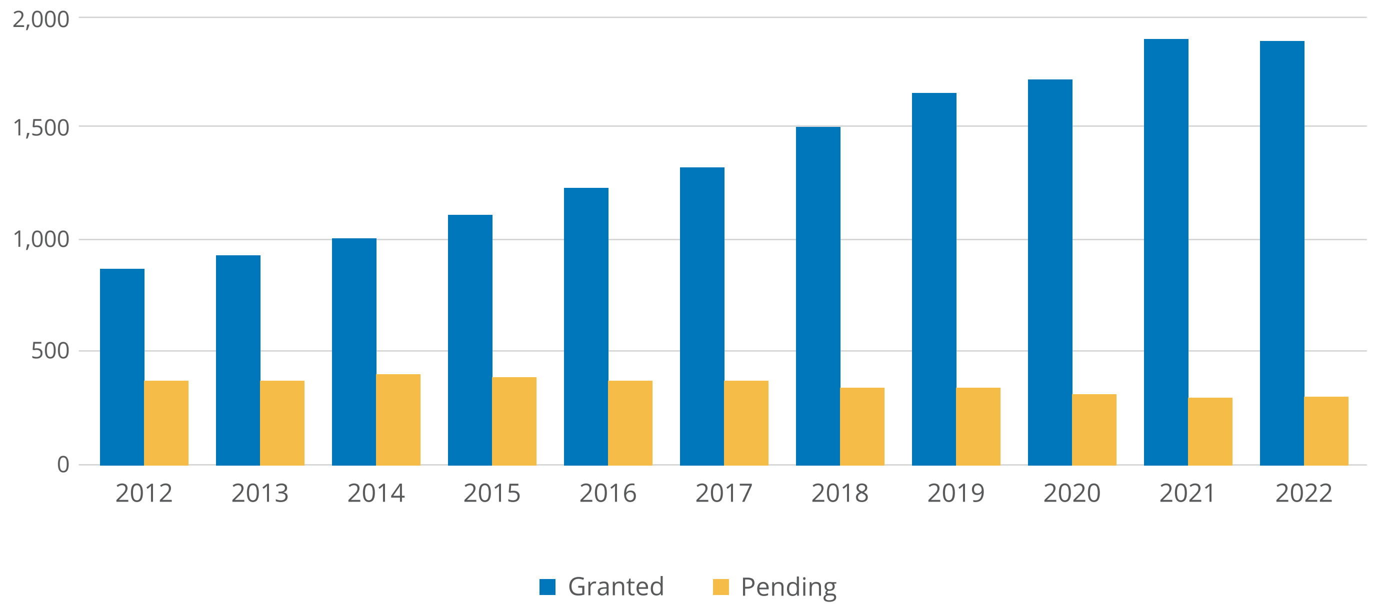
Össur has been investing in an increasingly scalable infrastructure. As an example, the global manufacturing platform is consolidating with about 12 fewer locations since the year 2009. Investments have been made in centralized procurement (strategic sourcing) and implementation of a new CRM platform. The shared service center in Poland supports around 71% of Össur's entities and the global IT department 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 its carbon footprint and was Carbon Neutral again in 2022 for scope 1 and 2, and selected scope 3 emissions.

Innovation

Strong Intellectual Property Portfolio

Innovation is one of the three main pillars of our strategy. Developing and maintaining a strong intellectual property (IP) portfolio is key in sustaining our position as an innovation leader in the industry. Our IP portfolio consists of various types of IP rights, strategically developed, and registered to protect our products and technologies, as well as the Össur brand. At year-end 2022, the IP portfolio consisted of, inter alia, over 2,000 patents and patent applications and around 650 trademarks.

Patent Portfolio



Prosthetics

To sustain a successful innovation level and improve people's mobility, we utilize the vast knowledge and expertise accumulated over the years at Össur in diverse technology platforms. We are focused on functional trade-up which entails providing people with more advanced mobility solutions. The products that we introduce to the market are a result of our R&D processes and are deeply rooted in understanding and addressing the needs of people with limb loss and limb difference. In 2022, 10 prosthetic products were launched to the market.

Following the introduction of the new generation Power Knee™ in 2021, the bionic product was successfully launched in all major markets at the beginning of 2022 and continues to receive excellent feedback. This first motor powered prosthetic knee, is ideal for individuals seeking increased assistance from their prosthetic device and those who require better symmetry and more natural gait.

Our broad selection of waterproof products is another example of our efforts to enable people to utilize their prosthetic devices to the fullest in diverse types of environments. The use of first-rate materials such as carbon fiber, titanium and high-grade aluminum provides permanent protection against harmful ingress of water. Even after submersion in freshwater, salt water and chlorinated water, the parts maintain their integrity and continue to provide full support, function, and durability.

Two new waterproof prosthetic feet were launched into the Pro-Flex® family during the year: Pro-Flex® ST and Pro-Flex® Modular which are both designed for low to high active amputees.

Pro-Flex® ST provides a smooth rollover and controlled push off. Pro-Flex® Modular is a lightweight shank height adjustable prosthetic foot, minimizing the need for additional components between the socket and foot. Both feet make it easy for amputees to go through the full stride on different terrains due to its multifunctional design, combining dynamics and ground compliance.

We now have 20 waterproof prosthetic feet in our product portfolio along with a selection of adapters and locks.

The acquisition of Naked Prosthetics, a leading provider of durable, custom, and functional prostheses for finger and partial hand amputees, is a welcome addition to our product portfolio. It is complementary to our product range, and strengthens our upper limb product offering globally, allowing us to cater to a broader group of individuals.

Össur Legs

Making use of macro trends within healthcare and the O&P industry, we have identified an opportunity and pursued our Össur Legs strategy. Increased time and cost per patient due to regulatory and reimbursement obligations call for improved efficiencies, and a shortage of qualified prosthetists and technicians calls for optimizing workflows in O&P clinics. In addition, a new generation of CPOs is more focused on patient interaction and less on prosthetic fabrication which creates a demand for alternative solutions. Össur Legs is a service for O&P clinics where Össur offers complete prosthetic leg solutions, fabrication expertise, skilled design, a streamlined ordering process, and leg maintenance services. In essence, as Össur offers a complete portfolio of all the product components that are needed to assemble a full leg solution for patients, we can provide complete solutions as well as associated services to O&P clinics.

Over the last 100 years, a prosthetic leg has changed from being fully fabricated in the O&P clinic to being assembled from advanced product components such as the Pro-Flex® foot and the Power Knee™. Only the socket, the device that goes over the residual limb and joins it with the rest of the prosthesis, is still most often made in an O&P clinic. Creating a socket is traditionally done by taking measurements of the residual limb by scanning, or using plaster casting, and then fabricating the socket and adjusting it until it fits the patient. The process is both labor intensive and time consuming, while consistent results depend on the CPO's experience and craftsmanship. Also, due to the complexity of socket fabrication and lack of socket adjustability, some people with above knee limb loss may never receive a prosthesis. This is now beginning to change as more advanced technology and standard processes are adopted within O&P clinics.

Össur has developed a holistic product portfolio that can be configured and customized for a wide range of patients. We also offer a range of socket solutions, including new innovative solutions as well as traditional socket fabrication outsourcing. The Össur Direct Socket and Connect® TF products are designed to give more people the possibility to use a prosthesis. The Direct Socket offering enables CPOs to fabricate and fit patients with a high quality, good fitting socket in one session. While not an "off-the-shelf ready product," the Direct Socket is a set of materials, tools, and standardized fabrication process, designed to increase patient satisfaction. Connect® TF is an adjustable socket that addresses some of the struggles people face with putting on, taking off, and adjusting conventional sockets. Connect® TF offers a solution that is easy to put on while sitting and is comfortable to wear while sitting, standing, and walking. Along with the unique design that allows for adjustment to limb changes, it is an ideal alternative to conventional sockets. In addition, our facility in Orlando in the US, offers quality socket design and fabrication based on 3D scans and measurements of the residual limb.

With Össur Legs and our broad prosthetic solutions offering, consisting of a wide range of feet, knees, sockets, liners and componentry, we are in a unique position to enable CPOs to dedicate more time to patients' needs and optimize the productivity and value chain of O&P clinics. To support this growing offering, we have invested in digital initiatives such as the Össur Portal that contains a leg configurator catered to CPOs' needs and simplifying the ordering process.

Össur Legs are well established in Americas and further market reach is under way. O&P clinics see value in adopting Össur Legs and customer loyalty for the offering is high. In 2022, we launched the Össur Portal in Americas to support the Össur Leg offering with an impressive adoption rate. We will continue to develop Össur Legs and the Össur Portal in close collaboration with O&P clinics, focusing on adding value and optimizing the O&P value chain.

Össur Leg*

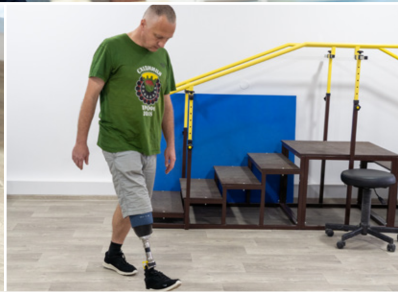
*An example of an Össur Leg, featuring the Power Knee

Bracing & Supports

We launched five bracing & supports products in 2022. The CTi®3 knee brace is the newest addition to our ligament knee bracing flagship CTi® product family and was launched mid-year 2022. Using the latest in design, materials, and manufacturing methods, CTi®3 is built to deliver exceptional value with its simplicity and durability. It is an off-the-shelf option for post-operative use or to provide support for ligament instabilities during sporting activities or daily wear.

We aim to minimize our negative environmental impact by preventing, reducing, and controlling waste and pollution from all our operations. In 2022, we continued our journey of reducing environmental impact from product packaging. As an example, we implemented packaging improvements for all OA and ligament knee braces shipped from our manufacturing facility in Mexico by removing plastic bags and reducing dimensions, material content and ink used on boxes of selected products. Furthermore, the new cardboard used is of certified origin (FSC) with a minimum of 30% recycled content and easily recyclable after use. Besides the significant reduction of plastic, the change resulted in an average of 60% reduction in cardboard weight and 13% reduction in box volume, which results in reduced emissions during transport.

Össur Provides Humanitarian Aid to Ukraine



Össur suspended its sales to Russia in February 2022. Limb loss is, unfortunately, one of the tragic consequences of armed conflict. The number of civilians and military personnel who have been amputated due to the ongoing war in Ukraine increases daily. We immediately pledged to donate prosthetic products and clinical expertise to Ukrainian people who suffer amputation because of the war. We focus on working directly with prosthetic clinicians and healthcare providers in Ukraine to ensure sustainable rehabilitation care.

To initiate our support, Össur partnered with the non-profit organization Prosthetika and Ukrainian CPOs, participants of the Ukraine Prosthetic Assistance Project. Both groups have experience working in Ukraine since 2014. Our partnership ensures that new amputees needing limbs are matched with Ukrainian CPOs and rehabilitation personnel who can carry out their treatment.

In June 2022, Össur received a grant from the Icelandic Ministry for Foreign Affairs' SDG Partnership Fund to support clinical education efforts for Ukrainian medical professionals who are fitting new amputees with Össur donated products.

During 2022, Össur conducted training courses in Amsterdam, Oslo, and Lviv, for more than 20 Ukrainian CPOs, technicians, and physiotherapists, who work at clinics all over Ukraine. The training courses covered more than 12 days in total and focused on our Direct Socket fitting method, which is very well suited to the circumstances in Ukraine as it is fast and efficient. Össur subsequently provided products for new amputees who were treated in Ukraine by the newly trained clinicians.

In 2022, more than 20 individuals in Ukraine received Össur donated prosthetic solutions for upper and lower limb amputations. Össur has also donated tools, prosthetic components, and materials to clinics in Ukraine to ensure necessary product availability. The clinicians have been working in challenging circumstances, sometimes without water or power for days, relying on generators or flashlights while conducting the fittings.

We are proud of the assistance we have provided and believe our initiative will bring much-needed prosthetic components to those in need and a new, more effective socket fabrication technology to the people of Ukraine. This will increase the level of clinical knowledge among Ukrainian medical professionals, supporting the healthcare infrastructure and sustainable rehabilitation care that amputees need for the longer term.

People

At Össur, we nurture a spirit of innovation. We offer an environment where each employee can achieve their full potential and has a sense of belonging. 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 we do—in our interactions with colleagues and customers, and in our work efforts.

We have around 4,000 employees working in 36 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 job and for their career advancement. We offer various learning opportunities, so employees can build a lasting and rewarding career 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 greatest assets are our employees' passion, drive, and capabilities to help our customers and end-users.

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 the 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 online and virtual courses to learn from 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. 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 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.

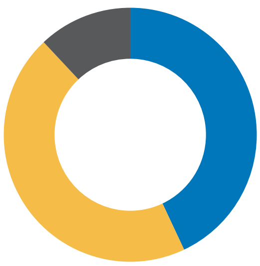
We monitor and measure diversity, equity and inclusivity on a continuous basis, making sure it is part of our company culture. Therefore, we include questions on diversity and inclusion in our annual workplace survey. We have increased training opportunities on diversity, equity and inclusion in our 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 can more flexibly manage how and where they work.

Diversity, Equity and Inclusion

Gender Ratio
- Male **51%**
- Female **49%**

Female in Management Positions

38%



Education
- University Degree **43%**
- Other **45%**
- Vocational or Technical Training **12%**

Age
- 16-25 **11%**
- 26-35 **25%**
- 36-45 **28%**
- 46-55 **20%**
- 55+ **16%**

ÖSSUR
GIVE BACK
PROGRAM

Össur Give Back Program

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

The Össur Give Back Program offers all employees globally, one volunteer day per year with pay 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. The Give Back Program has been very well received by Össur employees who actively participate in volunteer activities in their communities.

Diverse causes and charities benefited from donated working hours in 2022, such as the following:

- March Against Loneliness in Denmark
- Ronald McDonald House in Southern New Jersey, US
- South Jersey Food Bank in New Jersey, US
- River Kids Charity in Scotland
- West Lothian Food Bank in Livingston, UK
- Beach clean-up in the Netherlands
- Adaptive Sports Connection in Ohio, US
- Project Hope Alliance in Orange County, California, US
- Woodbank Community Food Hub in Stockport, UK
- Beach clean-up on the Southern Coast of Iceland
- Bannerman Island Historical Castle restoration in New York, US
- Tree planting with the Icelandic Forestry Association in Iceland
- Oertijdmuseum Garden clean-up in the Netherlands
- Ukrainian House, a Center for Ukrainian Culture in Szczecin, Poland
- Forest clean-up in Stockholm, Sweden
- Christmas gifts preparation for seniors living in social welfare homes in Szczecin, Poland






Ramp Up Iceland

Ramp Up Iceland was originally initiated in Reykjavik in March 2021 with the goal of helping local businesses in the capital city to install wheelchair ramps to improve accessibility for people with mobility challenges. The project was very successful and was expanded to other towns and communities in Iceland this year. Össur is one of the founding members of the project, spearheaded by entrepreneur Halli Thorleifsson. The original goal of Ramp Up Iceland was to complete 1,000 ramps around Iceland by the end of 2025 but the project has progressed so well that the goal has been increased to 1,500 ramps within the same timeframe. The project is supported by the President of Iceland, Gudni Th. Jóhannesson, and the Icelandic Government.


Össur Mobility Clinics

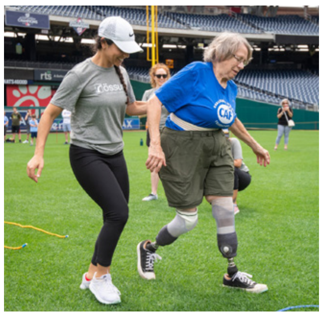
For nearly 30 years, Össur has partnered with the Challenged Athletes Foundation (CAF) to host running and mobility clinics in the US. Held at various locations throughout the year, these free clinics provide opportunities for people with limb loss and limb difference to learn useful techniques and gait training from elite faculty. Össur athletes and CAF mentors participate in the clinics with the goal of helping individuals move better and more confidently with their prosthesis.

Össur Mobility Clinics have also been held in Australia, France, South Africa and other countries over the years. In 2022, Össur Australia held specialized mobility clinics focused on individuals participating in golf, skiing and surfing, and Össur France held a Junior Day which was dedicated to children.







Risk Management

Four Key Risks

An investment in Össur involves various risks as the business, financial conditions, and operational results rest upon certain assumptions and could be negatively affected if any of the factors described in this chapter occur. Even though the long-term prospects and underlying fundamental drivers of our markets are not expected to change, Össur highlights four key risks which are currently considered the most relevant. In addition to these risks, Össur faces a range of other risks described on our corporate website.

Össur cannot ensure that the given assumptions for the description of any of these risks are correct. Additional risks and uncertainties, as well as risks that Össur currently deems immaterial or are not presently known to us, may adversely affect our business, financial conditions, and operational results.

I. Reimbursement Landscape

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. Our business depends on understanding and adapting to reimbursement and insurance plans in all markets where we conduct our business.

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. In addition, we apply our reimbursement knowledge from the earliest stages of product development to the post-sale education of customers. Finally, we monitor and analyze changes to the reimbursement landscape in the markets where we operate, and adapt our reimbursement strategy accordingly.

II. Regulatory Requirements

Description

Össur's products and services are subject to global and local regulations. Such regulations can restrict practically all aspects of a medical device's design and testing, manufacturing, safety, labeling, storage, record-keeping, reporting, clearance and approval, promotion, distribution, and services. In our interactions with government officials, healthcare professionals, and business partners, we must comply with relevant third-party regulatory requirements. Finally, our footprint is growing in new emerging markets which are characterized by complex regulations, business volatility and unpredictability.

Potential Impact

Failure to comply with the regulatory requirements of the applicable authority may subject Össur to fines, penalties, sanctions, or product withdrawals. If we would fail to receive regulatory clearance and approval for our products and services it could adversely affect our sales and potential for future growth, threaten our license to operate in the respective market, and affect our brand and reputation.

Mitigative Actions

Össur maintains a robust global quality system that complies with international medical device standards, and which forms an intrinsic part of internal processes. Össur also has a global regulatory compliance program, including a Code of Conduct, in which our employees identify, assess, manage, and report potential risks from international and local regulations in the countries where we market and sell our products and services. Finally, tracking and analyzing regulatory requirements of new markets forms a part of our market access strategy.

III. New Technologies

Description

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

Potential Impact

The development by 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 our operations and potential for future growth.

Mitigative Actions

Össur's significant investment in research and development and constant strive to finding innovative technologies, has resulted in a vast IP portfolio and a strong position to compete with potential new entries. External connections with universities, research institutes and investors, provide us 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 orthotics and prosthetics (O&P) manufacturers and forward integration, which involves acquiring service providers in the O&P industry. It remains uncertain to what degree we will be able to participate in further consolidation and forward integration and how it will affect our operations. Industry consolidation and forward integration can lead to increased challenges and complexity and our success depends in part on our ability to effectively operate in this changing marketplace.

Potential Impact

The consolidation has been a material contributor to the external growth of Össur in the past. If we were not to participate in further consolidation or forward integration, it might limit our potential for future growth. In addition, these market trends may impact the competitive landscape of the industries and the associated market shares. Finally, these changes in the marketplace may impact our customers, CPOs and end-users, and interactions with them.

Mitigative Actions

It is at the core of our strategy to operate effectively in this changing marketplace. Össur continuously reviews value enhancing acquisitions and investment opportunities in our business segments and keeps a good relationship with the relevant stakeholders in the industry. We operate our own clinics in certain regions and have partnership programs in place with healthcare providers to offer customers quality products and services in the interest of our end-users.

Other Risks

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

Shareholder Information

Össur's shares are listed on Nasdaq Copenhagen. Össur was the 65th largest company of 125 companies listed on Nasdaq Copenhagen when measured in terms of market value at year-end 2022.

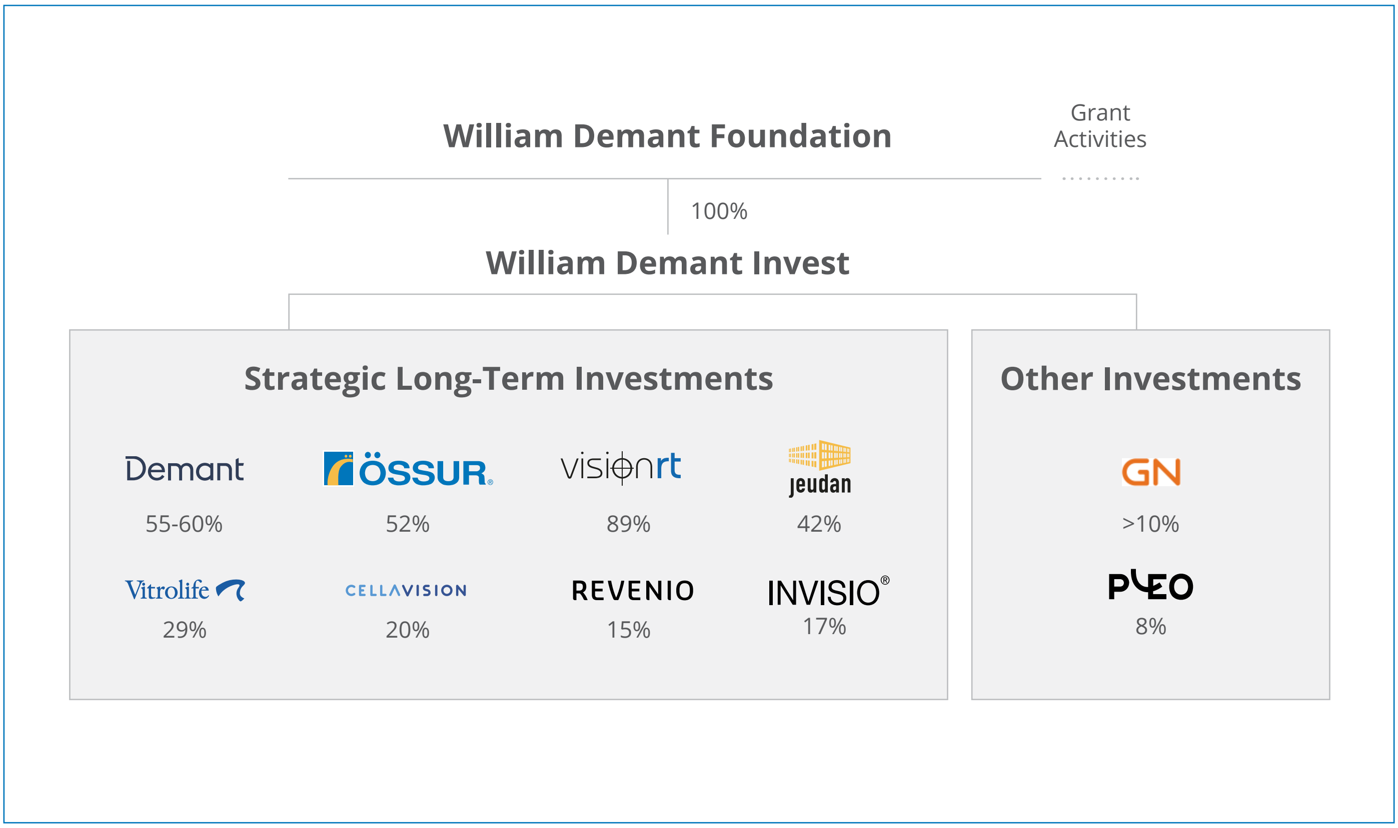
Össur's share price decreased by 21% in 2022, compared to a 12% decline of the OMXC25GI index, a leading index for the Danish equity market.

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

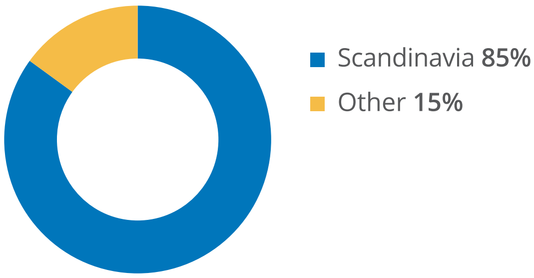
Market	ISIN	Ticker	Industry	No. of Shares
CPH (DKK)	IS0000000040	OSSR	Healthcare	423,000,000

Ownership Structure



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 2022. 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, GN Store Nord and Pleo. In addition, ATP Pension Fund and the Pension Fund of Commerce had announced holdings above 5% in Össur at year-end 2022.

Shareholders

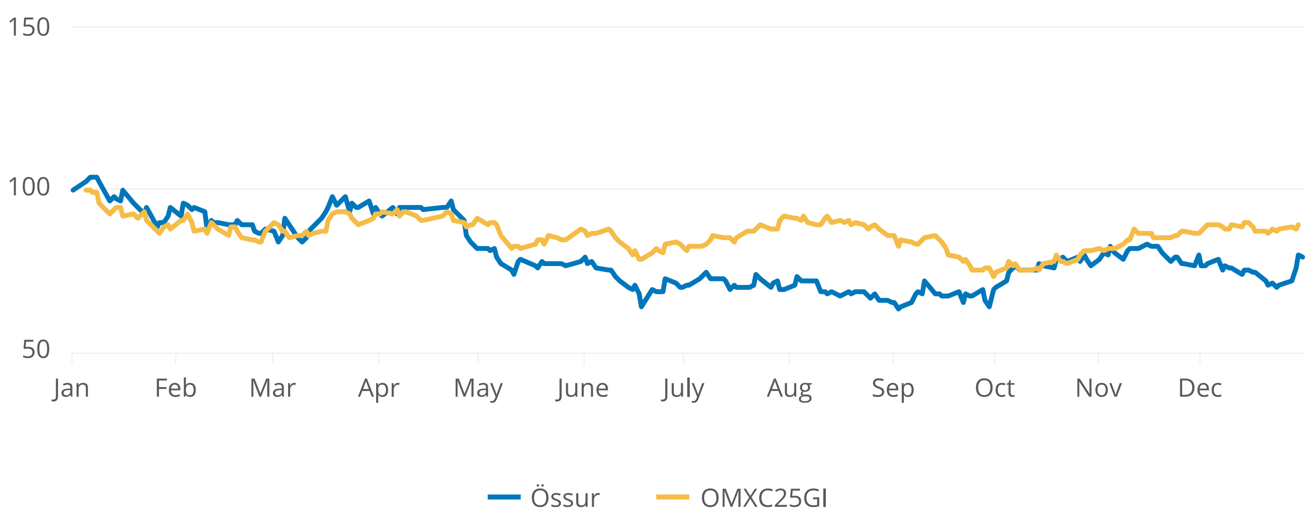


At year-end 2022, about 85% of Össur's shareholders were located in Scandinavia. The remaining 15% of the shares are held by investors residing in other countries.

Share Performance

Össur's share price decreased by 21% in 2022, from DKK 42.3 per share at year-end 2021 to DKK 33.6 per share at year-end 2022. Össur's market capitalization was DKK 14.2 billion (USD 2.0 billion) at year-end 2022 compared to DKK 17.9 billion (USD 2.7 billion) at year-end 2021.

Share Performance (Indexed)



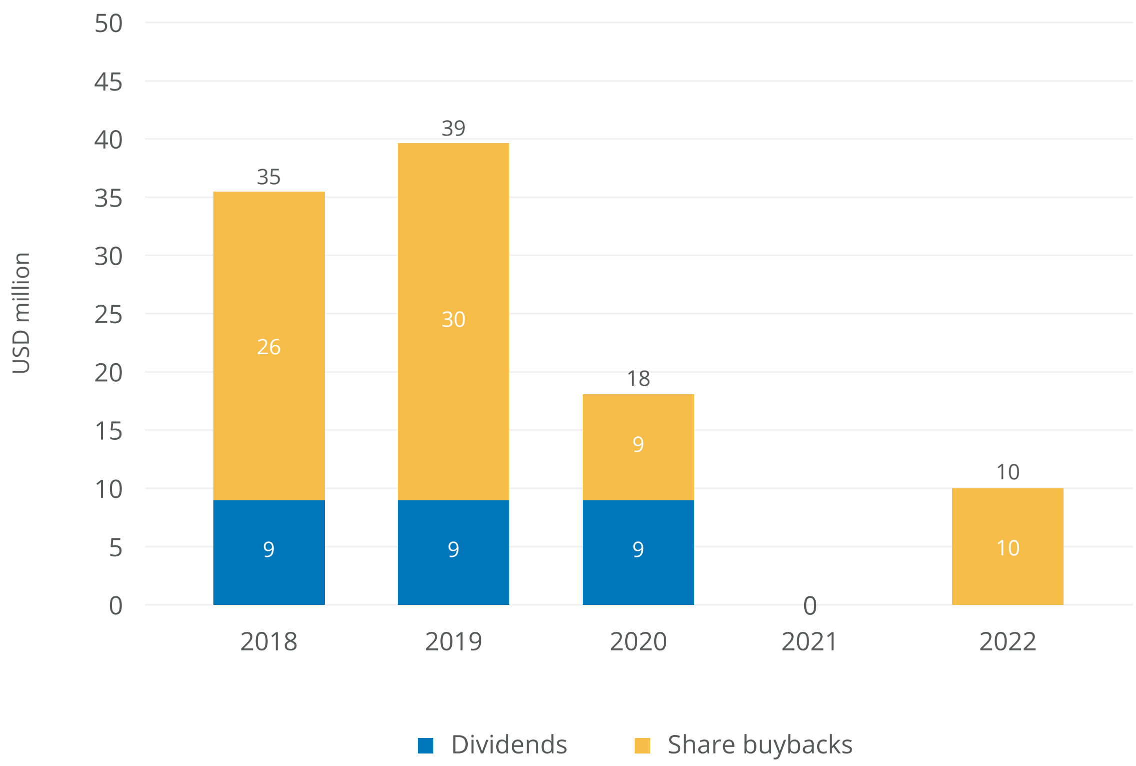
Capital Allocation

With emphasis on growth opportunities, value-adding investment opportunities and acquisitions, Össur decided to discontinue dividend payments and focus on returning excess capital to shareholders via purchase of own shares. This is in accordance with Össur's updated Capital Structure and Capital Allocation Policy approved by the Board of Directors in 2022. Accordingly, the Board of Directors will not propose to the Annual General Meeting in 2023 to pay a cash dividend.

Össur commenced a new share buyback program in February which was completed in October. Össur then initiated a new share buyback program which has been paused temporarily from 25 October as the net interest bearing debt to EBITDA corresponded to 2.8x at the end of Q3 2022, at the upper end of the target range of 2.0 - 3.0x NIBD/EBITDA, and the net interest-bearing debt to EBITDA was above the target range at year-end 2022, at 3.2x. The purpose of the share buyback program is to adjust the capital structure in line with the desired level of net debt to EBITDA.

At year-end 2022, treasury shares totaled 2,711,302. The Board of Directors will propose to the Annual General Meeting in 2023 to reduce the share capital by way of cancelling 2,000,000 shares. The remaining shareholding may be utilized to meet share option obligations.

Share Buybacks and Dividends



Over the last five years, Össur has paid out USD 103 million to its shareholders

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 10 March 2023. 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

Q1 2023

Annual General Meeting
10 March 2023

Capital Markets Day
30 March 2023

Interim Report Q1
25 April 2023

Q2 2023

Interim Report Q2
25 July 2023

Q3 2023

Interim Report Q3
24 October 2023

Q4 2023

Interim Report Q4 and Annual Report 2023
30 January 2024

Annual General Meeting 2024
13 March 2024

Capital Markets Day in 2023

Össur invites shareholders, financial analysts, investors, lenders and financial media to a Capital Markets Day in Copenhagen on 30 March 2023. The Capital Markets Day is hosted by Sveinn Sölvason, President and CEO, along with key members of our Össur Executive Management team. Further details on the Capital Markets Day, including the agenda and location, will be available on Össur's website.

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 on Össur's website.

Contact Investor Relations

Edda Lára Lúðvígsdóttir, Investor Relations Director
E-mail: eludvigsdottir@ossur.com
Tel.: +354 844 4759

Sustainability

Sustainability is embedded into our strategy and throughout our organization. We have a robust sustainability agenda and capture our commitment under the theme of Responsible for Tomorrow™. We are committed to maintaining high standards of ethical, environmental, and social responsibility.

RESPONSIBLE FOR TOMORROW™

Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. Össur has chosen six UN Sustainable Development Goals (SDGs) to contribute to, based on our sustainability commitment.

Our Sustainability Commitment

We provide products and services that contribute to good health, using responsible production methods and supporting climate action, while being a sponsor for inclusivity and transparency.

We believe that sustainable growth is the only way to build a successful and responsible business for the benefit of future generations.

Our Environment

Responsible for our environmental impact

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Our Operations

We are Carbon Neutral for scope 1 and 2, and selected scope 3 emissions, and are actively working towards Net Zero operations.

Our Products

We are reducing the environmental impact of our products and services.

Our Supply Chain

We collaborate with our key suppliers in reducing their environmental impact.

Our People

Responsible for enhancing the social well-being of our people & communities

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Our Customers

We develop quality products and services that improve people's mobility.

Our Employees

We nurture the well-being and development of our employees within an inclusive and safe work environment.

Our Suppliers

We partner with suppliers who respect human rights and participate in social development.

Our Communities

We create a lasting positive impact on our communities, helping more people to live a Life Without Limitations®.

Our Business

Responsible business leading with integrity and transparency

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Our Governance Practices

We practice sound governance in all our activities.

Our Business Integrity

We set high ethical standards and act with honesty and integrity.

Our Reporting Transparency

We ensure transparent reporting of our business practices.

Össur's Key Performance Indicators

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.

Priority Goals / KPIs	2022	2021	Chapter	Contribution to UNGC and SDGs*
Gender Split Among Employees	M51% / F49%	M53% / F47%	Our People	Principle 6 SDG 5
Female Managers as % of Total Number of Managers	38%	38%		
Code of Conduct Training	73%	n/a	Our Business	Principle 10 SDG 16
Carbon Neutral for Selected Emissions **	Yes	Yes	Our Environment	Principle 7, 8, 9 SDG 12, 13
Electricity Purchased From Renewable Energy Sources	99%	99%		
Total Recordable Incident Rate, TRIR ***	0.8	0.5	Our People	SDG 3 SDG 8
New Products Specially Designed for Elderly End-Users	3	3		
Ongoing Prosthetic Studies Which Will Inform Developers About the Elderly Customer Group	46%	21%		

* UN Global Compact (UNGC) and UN Sustainable Development Goals (SDGs)
** 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 Sustainability Report

The Össur Sustainability Report contains detailed information on our sustainability priorities and progress and is available on our website.

The ESG data in the 2022 report, has received a limited assurance by Deloitte.

Össur's Contribution to the UN Sustainable Development Goals

Össur's largest impact on society is through 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, our greatest impact is on Goal 3, Good Health and Well-Being. Additionally, Össur contributes to Goal 5 on Gender Equality, Goal 8 on Decent Work and Economic Growth, Goal 12 on Responsible Consumption and Production, Goal 13 on Climate Action, and Goal 16 on Peace, Justice and Strong Institutions.

Össur's Contribution to the UN Sustainable Development Goals

SDG 3: Good Health and Well-Being

Össur is committed to designing a product portfolio focused on the needs of amputees over the age of 65. Supporting this group of individuals will benefit society in multiple ways, as improved mobility allows for more independence, improved quality of life and likely reduces pressure on healthcare systems.

SDG 5: Gender Equality

Össur believes in the importance of diversity in its broadest sense. Gender equality is not only fair, it also makes economic sense to utilize the skills, strengths and knowledge of all Össur employees equally. Össur will continue to support and implement policies and practices that prevent gender-based discrimination.

SDG 8: Decent Work and Economic Growth

Össur is committed to offering attractive job opportunities and good working conditions worldwide, thereby stimulating the economy. We protect labor rights and emphasize safety in all our operations. For decades, we have promoted learning opportunities for our own employees as well as the larger O&P community, through the Össur Academy.

SDG 12: Responsible Consumption and Production

Össur is actively working on reducing the environmental impact of our products. Analyzing the product lifecycle, from development, through production, use and disposal, enables us to make informed decisions on where to prioritize our efforts.

SDG 13: Climate Action

Össur takes responsibility for our environmental impact and we are continually improving our environmental management performance. We have committed to setting science-based emissions reduction targets.

SDG 16: Peace, Justice and Strong Institutions

Össur is committed to responsible business practices and making a meaningful contribution to peaceful and inclusive societies. We have a zero-tolerance policy when it comes to corruption and bribery, and we respect and support the rule of law. Our reporting is transparent, and we believe business ethics are fundamental for a global society to achieve sustainable development.

Environmental Metrics

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

Environmental Metrics		Contribution to UNGC and SDGs	2022	2021	2020
E - 1	**GHG Emissions in tonnes CO2 equivalents (tCO2e)**	**UNGC P7**			
1.1	**Scope 1 - Direct emissions, tCO2e**		**2,170**	**1,800**	**1,800**
	Stationary Combustion		570	550	500
	Mobile Combustion		1,600	1,200	1,300
1.2	**Scope 2 - Indirect emissions, tCO2e - Market based***		**220**	**250**	**5,200**
	Purchased electricity and heat - Location-based		4,780	5,130	5,200
	Purchased electricity and heat - Market-based*		220	250	5,200
1.3	**Scope 3 - Other relevant indirect emissions, tCO2e**		**10,830**	**9,780**	**9,330**
	Finished Goods Suppliers electricity consumption**		150	290	2,200
	Transportation and Distribution		7,330	7,740	4,700
	Waste Generated in Operations		170	150	130
	Business travel (Air, hotels, trains)		3,180	1,600	2,300
	Total emission - Scope 1, 2, 3, (Market based), tCO2e		**13,220**	**11,830**	**16,330**
	Retired Carbon Credits from emission reduction projects, tCO2e		13,220	11,830	
E - 2	**Emissions Intensity**	**SDG 13, UNGC P7, P8**			
2.1	**Total GHG emissions per revenue, tCO2e/USD million**		**18**	**16**	**26**
	Revenues (USD million)		719	719	630
E - 3	**Energy Usage**	**SDG 12, UNGC P7, P8**			
3.1	**Total energy directly consumed (MWh)**		**9,360**	**7,100**	**7,030**
	Stationary Combustion		2,850	2,300	2,230
	Mobile Combustion		6,510	4,800	4,800
3.2	**Total electricity consumed (MWh)**		**17,770**	**17,980**	**18,330**
E - 4	**Energy Intensity**	**SDG 12, UNGC P7, P8**			
	Total energy directly consumed per revenue, MWh/USD million		13	10	11
E - 5	**Energy Mix**				
	% electricity from renewable energy sources ***		99%	99%	24%
	% electricity from other energy sources		1%	1%	76%
E - 6	**Water Usage**				
6.1	Total amount of cold water consumed (m3)		124,000	92,000	89,700
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	Yes	No
E - 10	**Climate Risk Mitigation**	**UNGC P9**			
	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 cancelled EACs have an emission factor of 0

Social Metrics

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

Social Metrics		Contribution to UNGC and SDGs	2022	2021	2020
S - 1	**CEO Pay Ratio**	**UNGC: Principle 6**			
1)	CEO total compensation to median FTE total compensation		17	37	23
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		22%	19%	17%
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 51%/ F 49%	M 53%/ F 47%	M 54%/ F 46%
2)	Entry- and mid-level positions held by men and women		M 49%/ F 51%	M 52%/ F 48%	M 52%/ F 48%
3)	Senior- and executive-level positions held by men and women		M 59%/ F 41%	M 64%/ F 36%	M 66%/ F 34%
S - 5	**Temporary Worker Ratio**	**UNGC: Principle 6**			
1)	Total enterprise headcount held by part-time employees		9%	8%	9%
2)	Total enterprise headcount held by contractors and/or consultants		199	107	144
S - 6	**Non-Discrimination**	**UNGC: Principle 6 SDG 16**			
1)	Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No		Yes	Yes	Yes
S - 7	**Injury Rate**	**SDG 8**			
1)	Total Recordable Incident Rate per 100 employees		0.8	0.5	0.7
S - 8	**Global Health and Safety**	**SDG 8**			
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 SDG 16**			
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 cover suppliers and vendors? Yes/No		Yes	Yes	Yes
S - 10	**Human Rights**	**UNGC: Principle 1, 2 SDG 16**			
1)	Does your company follow a human rights policy? Yes/No		Yes	Yes	Yes
2)	If yes, does your human rights policy cover suppliers and vendors? Yes/No		Yes	Yes	Yes

* Össur Iceland is audited in accordance with IST 85:201

Governance Metrics

The below reporting on governance metrics is in accordance with the Nasdaq ESG reporting guide. Further details on Governance related initiatives are discussed in Össur's Sustainability Report. Össur's Corporate Governance reporting complies with the Danish Recommendations on Corporate Governance. Further details on the Corporate Governance Reporting can be found in Össur's Corporate Governance Report.

Governance Metrics		Contribution to UNGC and SDGs	2022	2021	2020
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%	29%	39%
G - 5	**Supplier Code of Conduct**	**SDG 12, 16 UNGC: Principle 1, 2**			
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	n/a	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?**		73%	n/a	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 SDG 16**			
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 SDG 16**			
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 SDG 16**			
	Are your sustainability disclosures assured or validated by a third party? Yes/No		Yes	Partly***	Partly***

* 2020 numbers: percentage of suppliers categorized as critical suppliers. 2021/22 comparable numbers not available due to changes of the process in relation to new screening procedures. Will be implemented in 2023.

** Numbers not comparable. 2020 numbers: training based on previous policy and selected key employees. 2022 numbers: training on a revised Code of Conduct launched in December 2021 and training rolled out to all employees in 2022.

*** Limited Assurance by Deloitte in 2022. For 2020 and 2021 third party audits were perfomed on some of the data in the relevant reports.

Corporate Governance

Organizational Structure

According to the Articles of Association, Össur 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 Articles of Association and law.

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

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

At each Annual General Meeting the shareholders:

- Confirm the consolidated financial statements and decide on the distribution of the net profit.
- Approve the 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 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.

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 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 on Össur's website.

The Board has various roles and responsibilities

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

The Board of Directors' Annual Schedule

Quarter 1

January Meeting

- Full-year results
- Corporate Governance Statement
- Capital Structure and Capital Allocation 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

The Board of Directors is composed of five members, 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. 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 the 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 the Board of Directors is available on Össur's website.

Board Member	Independent	Nationality	Gender	Board Tenure	Board Meetings Attended
Niels Jacobsen, Chairman	No	Danish	Male	17 years	●●●●●●●●●
Svafa Grönfeldt, Vice Chairman	No	Icelandic	Female	14 years	●●●●●●●●●
Arne Boye Nielsen	No	Danish	Male	13 years	●●●●●●●●●
Alberto Esquenazi	Yes	American	Male	2 years	●●●●●●●●●
Gudbjörg Edda Eggertsdóttir	Yes	Icelandic	Female	9 years	●●●●●●●●●

Audit Committee

The Audit Committee's main objective is to ensure a competent and independent audit of Össur and supervise the internal control system and risk management. The Audit Committee's responsibilities are further described in the Audit Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The Audit Committee's Terms of Reference are available on Össur's website.

The Audit Committee is composed of three Board members. The majority of the Audit Committee shall be independent of Össur, the CEO and the Auditor.

Audit Committee members shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Audit Committee member 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 the Audit Committee is available on Össur's website.

The Audit Committee has various roles and responsibilities

- Ensure a competent and independent audit.
- 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.
- Monitor and evaluate the Auditor's work, 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 Össur's internal control systems and its risk management and perform other related tasks and duties.
- Monitor and assess Össur's management of compliance and security risks.
- Assess the need for an internal audit function taking into consideration the scale and complexity of Össur's activities, risk factors and cost / benefit considerations.

The Audit Committee's Annual Schedule

Quarter 1

January 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
- Internal Control update

Quarter 4

October Meeting

- Company's report on internal controls
- Assessment of the need for an internal audit
- 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 except one

Nomination Committee

A Nomination Committee was established in 2022. The Nomination Committee's main objective is to prepare recommendations to the Board in relation to the composition, development, and succession of the Board. The Nomination Committee's responsibilities are further described in the Nomination Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The Nomination Committee's Terms of Reference are available on Össur's website.

The Nomination Committee is composed of the Chairman of the Board, the Chairman of the Audit Committee and the CEO.

Remuneration Committee

A Remuneration Committee was established in 2022. The Remuneration Committee's main objective is to prepare recommendations to the Board in relation to the remuneration policy and remuneration for the Board, the CEO, and the Executive Management. The Remuneration Committee's responsibilities are further described in the Remuneration Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The Remuneration Committee's Terms of Reference are available on Össur's website.

The Remuneration Committee is composed of the Chairman of the Board and the Chairman of the Audit Committee.

Board Performance Evaluation

The Board of Directors conducts a performance evaluation each year, which includes an evaluation of individual contribution, co-operation within the Board and with the CEO, the Chairman's leadership, committee structure and committee work, setup of meetings and quality of board material, etc. The Board also evaluates its composition each year to ensure that the Board members have the relevant knowledge between them, professional experience, expertise, and skills required to perform the Board's tasks in the best interest of Össur. 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 2022 was carried out internally and discussed by the Board in December 2022. The general conclusions of the evaluation were the following:

- The Board members agreed that the Board size was right, and that the composition provided a good mix of different backgrounds and nationalities, international business experience, specific competencies, and gender diversity.
- The Board discussed how the Board could assist management in driving the strategy providing more feedback on the process during the year.
- The Board discussed the mandate of the committees and agreed that the current committee setup worked well.
- The Board agreed that the material provided to the Board was very good and received in good time. Consequently, the Board members had been able to prepare well for the Board meetings and have meaningful discussions with the management.

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 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 Board member, but 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 Össur'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 the Executive Management is available on Össur's website.

Remuneration of the Board of Directors and the Executive Management

At Össur's Annual General Meeting on 8 March 2022, the shareholders approved a Remuneration Policy, which applies to the Board of Directors, the CEO and other members of the Executive Management. The Remuneration Policy was prepared by the Board of Directors and was approved without any amendments. The Remuneration Policy is available on Össur's website.

Information on the remuneration of the Board of Directors, the CEO and other members of the Executive Management can be found in the Remuneration Report, available 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. 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 Össur 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 Össur.

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 Corporate Governance Report is available 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 2005

Education

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

Board positions

- Nissens A/S, Board member
- Thomas B. Thrige Foundation, Chairman
- ABOUT YOU Holding GmbH, Deputy Chairman
- ATP Langsigtet Dansk Kapital, member of Advisory Board
- Central Board of the Confederation of Danish Industry, member

Additional duties related to William Demant Invest A/S

- Demant A/S, Deputy Chairman
- Jeudan A/S, Chairman
- Vision RT Ltd., Chairman

Experience

Niels has extensive leadership experience from major international companies. His competencies include business management and in-depth knowledge of financial matters, accounting, risk management and M&A. He has broad experience from the global healthcare industry.

He is currently CEO of William Demant Invest A/S and prior to that, he was President & CEO of Demant A/S (formerly William Demant Holding A/S).

Shares held in Össur

203,330 (incl. related parties)

Niels holds no share options in Össur.

Other

Niels has no interest links with Össur's main clients or competitors. Niels is a dependent member of the Board as he represents the interest of Össur's controlling shareholder, William Demant Invest A/S.

Dr. Svafa Grönfeldt

Vice Chairman of the Board of Directors

Born in 1965

Member of the Board of Directors since 2008

Education

Doctorate in Industrial Relations from the London School of Economics

Board positions

- Icelandair hf., Board member
- Marel hf., Board member

Experience

Dr. 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. Svafa 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. Svafa is a former President of Reykjavik University.

Shares held in Össur

Svafa holds no shares nor share options in Össur.

Other

Svafa has no interest links with Össur's main clients, competitors, or major shareholders. Svafa is considered a dependent member of the Board due to her long tenure on the Board.

Arne Boye Nielsen

Member of the Board of Directors

Born in 1968

Member of the Board of Directors since 2009

Education

Master's degree in Business Administration from Copenhagen Business School

Board positions

- Epos A/S, Chairman
- Revenio Group Oyj, Chairman
- Interacoustics A/S, President

Additional duties related to William Demant Invest A/S

- Demant A/S, member of Executive Board

Experience

Arne 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, Arne assumed, in 1996, his current position as President of Diagnostics and Communications in Demant, which has operations worldwide.

Shares held in Össur

Arne holds no shares nor share options in Össur.

Other

Arne has no interest links with Össur's main clients or competitors. Arne is a dependent member of the Board as he represents the interest of Össur's controlling shareholder, William Demant Invest A/S.

Board of Directors

Dr. Alberto Esquenazi

Member of the Board of Directors

Born in 1957

Member of the Board of Directors since 2021

Education

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

Board positions

- AMRPA and Einstein Healthcare Network, Board member
- Jefferson Health at Home, Board member

Experience

Dr. Alberto 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. Alberto is the past president of the American Academy of PM&R. He has published widely and is a member of national and international professional, educational, and research societies.

Shares held in Össur

Alberto holds no shares nor share options in Össur.

Other

Alberto has no interest links with Össur's main clients, competitors, or major shareholders. Alberto is an independent member of the Board.

Gudbjörg Edda Eggertsdóttir

Member of the Board of Directors

Born in 1951

Member of the Board of Directors since 2013

Education

Master's degree (Pharm.) from Copenhagen University

Board positions

- Brunnur Investment Fund, Chairman
- Coripharma Holding ehf., Vice Chairman
- Florealis ehf., Chairman
- Orf Genetics hf., Board member
- Bioeffect hf., Board member
- Saga Natura ehf., Chairman
- Pretium ehf., Chairman
- Reykjavik University, Chairman of RU Council and Chairman of the Board of Directors

Experience

Guðbjörg Edda's previous positions include President & EVP Strategic Projects of Actavis Plc in Iceland, a global integrated specialty pharmaceutical company. She was Deputy CEO and EVP of 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)

Gudbjörg Edda holds no share options in Össur.

Other

Gudbjörg Edda has no interest links with Össur's main clients, competitors, or major shareholders. Gudbjörg Edda is an independent member of the Board.

Executive Management

Sveinn Sölvason

President and CEO

Born in 1978

With Össur since 2009

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

Board positions

- Icelandic-American Chamber of Commerce, Board member

Experience

Sveinn has been with Össur since 2009, as the Chief Financial Officer since 2013 and previously as the 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

68,342

Gudný Arna Sveinsdóttir

Chief Financial Officer

Born in 1966

With Össur since 2022

Education

Master's degree in Accounting and Finance from the University of Uppsala

Cand.oecon. degree from the University of Iceland

Experience

Before joining Össur, Gudný Arna held finance roles at Kvika Bank and subsidiaries and prior to that, she was at Teva Pharmaceuticals/Actavis for ten years, including as the CFO of Teva Pharmaceutical Generic R&D. During her time at Teva, she worked and lived in Switzerland and in the US. Gudný Arna was an independent consultant to financial institutions in Iceland before joining Teva and worked in various finance roles at Kaupthing Bank 2001-2008, including as the CFO. Prior to that, she worked at Eimskip in Iceland and PWC in Stockholm.

Shares held in Össur

Gudný Arna holds no shares in Össur.

Christian Robinson

EVP of Americas and Global Bracing

Born in 1982

With Össur since 2012

Education

Juris Doctorate from Harvard Law School

Bachelor's degree in English Literature from Brigham Young University

Board positions

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

Experience

Since joining Össur in 2012, Christian has served in several roles including as General Counsel Americas, VP of 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

13,207

Executive Management

Egill Jónsson

EVP of Operations

Born in 1957

With Össur since 1996

Education

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

Bachelor's degree in Engineering from the University of Iceland

Board positions

- Federation of Icelandic Industries, Board member
- Technical College Reykjavik, Chairman

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

839,545 (incl. related parties)

Gudjón G. Kárason

EVP of EMEA & APAC

Born in 1969

With Össur since 1998

Education

Master's degree in Engineering from the University of Iceland

CS degree in Mechanical Engineering from the University of Iceland

Board positions

- Iðunn framtakssjóður slhf., Board member

Experience

Gudjón 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, Gudjón worked as a Development Manager for a couple of smaller industrial companies in Iceland.

Shares held in Össur

98,059

Hildur Einarsdóttir

EVP of Research and Development

Born in 1982

With Össur since 2009

Education

Master's degree in Biomedical Engineering with focus on Computational Neuroscience from Imperial College London

Bachelor's degree in Electrical Engineering from the University of Iceland

Board positions

- Industrial Advisory Board, Imperial College London, Board member

Experience

Hildur has been with Össur since 2009 in various roles within R&D and Global Marketing. She first joined as an Engineer for the Bionic portfolio, was the Global Product Manager for Bionics followed by several years as the Director of Global Product Management for Prosthetics. Hildur was VP of Global Marketing before rejoining the R&D team in 2018, taking on the role of VP of Strategy & Operations, and became EVP of R&D in 2022. Prior to joining Össur, she worked for a biotech company, deltaDOT in the UK.

Shares held in Össur

600

Executive Management

Ólafur Gylfason

Chief Commercial Officer

Born in 1969

With Össur since 1997

Education

Master's degree in International Business Economics from Alborg University

Bachelor's degree in Business Administration from Bifrost School of Business

Experience

Ólafur joined Össur in 1997 as the sales manager for emerging markets. He moved to the Netherlands in 2000 to establish and lead the European region as part of the executive team and then shifted his role over to the Americas region in 2013. Prior to his appointment as CCO of Össur in 2022, Ólafur was EVP of global Sales & Marketing and Prosthetics for six years.

Shares held in Össur

12,808

Margrét Lára Fridriksdóttir

EVP of People, Strategy & Sustainability

Born in 1978

With Össur since 2000

Education

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

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

Board positions

- Investment committee of VEX I, Board member
- Icelandic Chamber of Commerce, Board member

Experience

Margrét has been with Össur since 2000 in various roles in Finance, Corporate Strategy and Human Resources.

Shares held in Össur

30,719

Össur hf. Consolidated Financial Statements 31 December 2022

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Statement by the Board of Directors and President and CEO

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. Össur's mission is to improve the mobility of our end-users so they can live their Life Without Limitations®. The Company is headquartered in Iceland and owns and operates subsidiaries in multiple countries around the world. The Company sells its products worldwide, but its principal market are North America and Europe. The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as "the Company" or "Össur").

Össur's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act no. 3/2006.

Operations in 2022

The total Net sales of the Company amounted to USD 718.6 million (2021: USD 718.7 million). Organic local currency sales increase was 4%. Net profit amounted to USD 43.2 million (2021: USD 65.7 million). Diluted earnings per share amounted to US cents 10.3 (2021: US cents 15.5). Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 114.2 million and 16% of sales (2021: USD 149.0 million, 21%) and EBITDA before special items amounted to 128.2 million and 18% of sales (2021: USD 149.0 million, 21%).

The total assets of the Company amounted to USD 1,325.4 million at year end (2021: USD 1,246.9 million), total liabilities were USD 689.9 million (2021: USD 620.3 million) and total equity was USD 635.5 million (2021: USD 626.6 million). The equity ratio at year end was 48%, (2021: 50%).

The Company employed an average of 3,866 employees in 2022 (2021: 3,668) and 3,892 at year end (2021: 3,761). Information regarding salaries and salary related expenses can be found in note 6.

Despite various challenges in 2022, Össur managed to grow the business across all markets and business segments. The USD strengthened considerably during the year against most currencies and affected reported sales negatively in 2022 by USD 47 Million or 7% compared to prior year. Sales growth in Americas and EMEA were particularly affected by the discontinuation of the outsourcing contract with the Department of Defense (DOD) in the US and the continuous suspension of sales to Russia due to the ongoing war. Sales to Russia amounted to around 1% of total sales in FY 2021. Össur continues to provide humanitarian aid in the form of donated products and clinical expertise to medical professionals in Ukraine. Supply chain challenges continue to have a short-term negative effect on productivity but sourcing of raw materials and components has improved during the year. Higher freight cost and inflation in raw material prices increased cost of goods sold by USD 13 million in 2022 from pre-pandemic levels in 2019 and USD 4 million from 2021. Management estimates that most of this increase in cost of goods sold is temporary in nature. In Q3 2022, Össur made organizational changes and initiated cost savings to support further growth and profitability and identified opportunities to increase efficiency by consolidating and simplifying operations to better leverage key strategic locations. Total annual cost savings amount to USD 15 million and are expected to materialize from the beginning of 2023. One-time restructuring cost in connection to organizational changes and cost savings initiatives were a large driver of higher OPEX in the year.

Statement by the Board of Directors and President and CEO

Shareholders and share price

Össur's shares are admitted to trading on the Nasdaq Copenhagen stock exchange. The market value of the Company at year end was USD 2,035 million (2021: USD 2,724 million). The share price in DKK amounted to 33,55 at year end (2021: 42,3) and decreased by 20.7% during the year. At year end, registered shareholders in Össur were 4,736 compared to 4,540 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 (net of treasury shares) are: William Demant Invest A/S - 52.2%, Islandsbanki Bank – 14.6%, Arbejdsmarkedets Tillægspension (ATP) - 5.2%, Citibank Europe – 4.3%, State Street Bank – 2.4%, SEB Sverigefond Smabolag Chans/Risk - 2.0%, Landsbankinn Bank – 2.0%, Lannebo Fonder – 1.8%, SEB Sverigefond Smabol – 1.5% and Clearstream – 1.4%. 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.

Össur shares and stock options

Össur has issued 423 million shares with a nominal value ISK 1 krona. The Board of Directors has not utilized its authorization approved on the Annual General meeting dated 8 March 2021 to increase the share capital of the Company in connection with acquisitions by an amount up to ISK 67 million in nominal value.

At the Company's 2021 Annual general meeting on 8 March 2022 the Board of Directors was authorized, at any time in the next 30 months, to purchase own shares of up to 10% of the Company's share capital. This authorization is granted in accordance with Article 55 of the Icelandic Act No. 2/1995 on Limited Liability Companies. During the year 2.1 million treasury shares were purchased by the Company through share buyback programs and 130 thousand treasury shares were used to settle share options contracts. At 25 October 2022 Össur decided to temporarily pause share buybacks as the net interest-bearing debt to EBITDA was at the upper end of the target range of 2.0 - 3.0x NIBD/EBITDA. At year end 2022 Össur held 2.7 million treasury shares that equals to 0.6% of issued shares. Össur will propose to reduce the share capital at the Annual General Meeting by 2 million shares. The remaining treasury shares held will be used to fulfill obligations under share option agreements that have vested or will be vesting in 2023. Share options are granted to management and selected employees. Total granted and unexercised share options at year end 2022 were 5.8 million shares (2021: 5.9 million shares), of which 2.3 million are exercisable before year end 2023 and the remainder between 2024 - 2026.

Dividend proposal

In line with the Company's Capital Structure and Capital Allocation Policy, the Board of Directors will propose to the Annual General Meeting in 2023 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.

Statement by the Board of Directors and President and CEO

Corporate governance and risk management

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 applicable Icelandic laws and regulations, the Articles of Association of the Company and the Board of Directors' Rules of Procedure, which addresses the Board's role and responsibilities. The Company's management structure consists of the Board of Directors and the Executive Management, led by the President and CEO. The two bodies are separate, and no person serves as a member of both. 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 and is in compliance with Icelandic law on gender ratio. The members of the Board of Directors are elected by shareholders at the Annual General Meeting for a one-year term. No Össur employee sits on the Board of Directors. The President and CEO manages the Company's daily operations.

The Board of Directors has established three committees, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee has three members from the Board, who are appointed by the Board of Directors for a term of one year. The Chairman of the Board and the Chairman of the Audit Committee sit on the Nomination Committee with the President and CEO and the Remuneration Committee. The committees comply with their respective Terms of Reference, which address their role and responsibilities etc.

An investment in Össur involves various risks as the business, financial conditions, and operational results rest upon certain assumptions and could have negative affect the Company. Even though the long-term prospects and underlying fundamental drivers of our markets are not expected to change, Össur highlights four key risks which are currently considered the most relevant. The four key risks identified are: reimbursement landscape, regulatory requirements, new technologies, industry consolidation and forward integration. Further description of the risks can be found in the Annual report and Company's website and information about financial instruments and financial risk management can be found in note 31.

The Board of Directors has an ongoing dialogue with the President and CEO on the identification, description and handling of the business risks to which the Company may be exposed. The Company's risk management and internal controls, in relation to financial processes, are designed to control the risk of material misstatements. The Company designs its processes to ensure there are no material weaknesses with internal controls that could lead to a material misstatement in its financial reporting. The external Auditor's role in these processes is included in the Auditor's Report.

Sustainability at Össur

Össur is guided by three pillars of responsibility: Our Environment, Our People and Our Business. Each is equally important and guides decision-making processes at all levels. Össur commits to provide products and services that contribute to good health, using responsible production methods and supporting climate action, while being a sponsor for inclusivity and transparency.

Our Environment. We take responsibility for our environmental impact. Key pillars in our environmental focus are on our operations, our products and our supply chain. We have committed to being carbon neutral for scope 1 and 2, and selected scope 3 emissions and we are actively working towards Net Zero operations. We are focused on reducing the environmental impact of our products and collaborate with our suppliers to reduce their environmental impact.

Our People. We take responsibility for enhancing the well-being of our people and communities. We believe that sustainable growth is the only way to build a successful and responsible business for the benefit of future generations. We nurture the well-being of our employees, customers, and the communities we operate in and are focused on providing a safe and inclusive work environment. Multiple policies have been approved and implemented to support and guide our employees and other stakeholders. Our policies are available on the Company's website: https://www.ossur.com/global/our-responsibility/our-commitments/policies.

Statement by the Board of Directors and President and CEO

Our Business. We lead our business with integrity and transparency, promoting sound governance practices in all our activities. In accordance with our values, we set high ethical standards and we have a zero-tolerance policy when it comes to Corruption and bribery. We guide our employees through our Code of Conduct and offer platforms for them and other stakeholders to voice any potential concerns through the Össur Speak-Up line.

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.

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 acquired a limited assurance on the 2022 Sustainability Report from external experts.

Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. In addition, Össur has chosen six UN Sustainable Development Goals (SDGs) based on our sustainability commitment. Annually, Össur publishes a report on the progress of key projects and focus areas as well as our contribution to the UN Global Compact and the Sustainable Development Goals. Further information about Össur's corporate sustainability and social responsibility activities can be found in the Annual Report and 2022 Sustainability Report , available on the Company's website: https://www.ossur.com/global/our-responsibility/our-commitments/csr-reports.

Statement by the Board of Directors and President and CEO

Statement by the Board of Directors and the President and CEO

According to our best knowledge, it is our opinion that the Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Company for the year 2022, its assets, liabilities and consolidated financial position as at 31 December 2022 and its consolidated cash flows for the year 2022. Furthermore, it is our opinion that the Consolidated Financial Statements and the report of the Board of Directors and the President and CEO contain a clear overview of developments and results in the Company's operations, its position and describe the main risk factors and uncertainties facing the Company.

In our opinion, the Consolidated Financial Statements of Össur hf. for the financial year 2022 identified as “ossur-2022-12-31.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 2022 with their signatures.

Reykjavík, 31 January 2023

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt
Vice Chairman of the Board of Directors

Arne Boye Nielsen
Member of the Board of Directors

Alberto Esquenazi
Member of the Board of Directors

Guðbjörg Edda Eggertsdóttir
Member of the Board of Directors

President and CEO

Sveinn Sölvason

Independent auditor’s report

To the board of directors and the Shareholders of Össur hf.

Opinion

We have audited the accompanying Consolidated Financial Statements of Össur hf. and its subsidiaries (the Company) for the year 2022, excluding the Statement by the Board of Directors and President and CEO.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts.

Our opinion is consistent with our additional report to the Audit Committee and board of Directors.

The Consolidated Financial Statements comprise:
- The Statement by the Board of Directors and President and CEO.
- The Consolidated Income Statement.
- The Consolidated Statement of Comprehensive Income.
- The Consolidated Balance Sheet.
- The Consolidated Statement of Cash Flows.
- The Consolidated Statement of Changes in Equity.
- Notes to the Consolidated Financial Statements, which include significant accounting policies and other explanatory information.

The Statement by the Board of Directors and President and CEO are excluded from the audit, refer to section *reporting on other information.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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.

Independence

We are independent of the Company in accordance with Icelandic laws on auditors and auditing and the code of ethics that apply to auditors in Iceland and relate to our audit of the Company's Consolidated Financial Statements. We have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in Iceland and that we have not provided non-audit services that are prohibited under Article 5.1. of Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the Company and its subsidiaries, in the year 2022 are disclosed in note 7 to the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor’s report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Revenue recognition

Net sales amounted to USD 718.7 million in the year 2022. Recognition of net sales is complex due to the volume of transactions and requires significant estimation by Management in establishing an appropriate provision for unsettled amounts. This includes estimation of sales volumes subject to rebates, including estimation of uncollectable revenue.

There is a risk that the estimates including methods and data applied are inaccurate or the assumptions made by Management may not be complete.

Based on the complexity of net sales recognition and the assumptions required in the provisioning for uncollectable net sales and rebates, net sales recognition is considered a key audit matter.

We refer to notes 3, 5 and 36 that explain the Company's net sale and revenue recognition accounting policies in further detail.

Our audit procedures included:

- Considering the appropriateness of the net sales recognition accounting policies and assessing compliance with applicable accounting standards.

- Obtaining an understanding of the net sales and accounts receivable accounting process.

- Evaluation of the appropriateness of the methodology and key assumptions applied to net sales recognition, including the provision for rebates and uncollectable net sales.

- Substantive procedures over invoicing and net sales recognition, including rebates and uncollectable net sales for consistency with terms and conditions of the underlying sales contracts.

- Evaluation of Management´s calculations for provisions for rebates and uncollectable net sales, including the evaluation of the accuracy of estimates made by management with reference to the Company´s historical provisions.

- Evaluation of the presentation and disclosures of revenue and provisions for uncollectible net sales and rebates.

Independent auditor's report

Impairment of goodwill

The book value of goodwill at year end 2022 amounted to USD 680.4 million.

The change in goodwill consists of additions due to current year business combinations amounting to USD 54.3 million as well as exchange rate difference loss amounting to USD 18 million.

The carrying value of goodwill and the related impairment test relies on the discounted expected future cash flows (value in use) which are complex to determine and require significant estimation by management. The estimates used by management include the determination of market and sales potential, timing of product launches, profit margins, discount rate assumptions and the determination of appropriate cash generating units.

Due to the relative sensitivity of certain inputs to the impairment testing process, and in particular the future cash flows of the cash generating unit, the valuation of goodwill is considered to be a key audit matter.

We refer to note 36 that explains the impairment and Company's accounting policies in further detail. We also refer to note no. 13 on goodwill and note no. 30 relating to the change in the Company due to the acquisition of other companies.

Our audit procedures included:

- Understanding management´s process for assessing the goodwill for potential impairment, including discussions with management for indications of impairment of goodwill.

- Evaluation of the reasonability of the model used by management to calculate the value in use of the individual cash generation units and if it complies with the requirements of IAS 36 Impairment of assets. This entailed involving our internal specialists to assist with the audit procedures carried out in relation to the impairment of goodwill.

- Understanding and validation of assumptions used to calculate the discount rates and value in use, including evaluation of price and volume forecast, long-term growth rates, and mathematical accuracy of relevant value-in-use models prepared by management.

- Performing sensitivity analysis based on activity and our understanding of the future prospects to identify whether these scenarios could give rise to an impairment.

- Evaluation of the presentation and disclosure of impairment testing, ensuring compliance with applicable accounting standards.

Reporting on other information, including the Statement by the Board of Directors and President and CEO

The Board of Directors and President and CEO officer are responsible for other information. The other information comprises of the Statement by the Board of Directors and President and CEO, Financial Highlights and Key Ratios, Note 2 Quarterly statements and the Annual Report, which we obtained prior to the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information, including the Statement by the Board of Directors and President and CEO.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

With respect to the Statement by the Board of Directors and President and CEO we have, in accordance with article 104, of the Icelandic law on annual accounts reviewed that to the best of our knowledge, the Statement by the Board of Directors and President and CEO accompanying the Consolidated Financial Statements includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the Consolidated Financial Statements.

Independent auditor’s report

Responsibilities of the board of directors and the chief executive officer

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable articles in Icelandic law on annual accounts, and for such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management 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 either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Company's management must provide appropriate explanations regarding its ability to continue as going concern, if applicable, and why management applies the presumption of going concern in the preparation and presentation of the Consolidated Financial Statements.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement 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.

Independent auditor’s report

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the Company 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on European single electronic format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Össur hf. we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of Össur hf. for the year 2022 with the file name ossur-2022-12-31.zip is prepared, in all material respects, in accordance with law no. 20/2021 Act on securities issuer obligations to issue information and self-report relating to requirements under the European single electronic format regulation EU no. 2019/815, which include requirements concerning preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

The Board of Directors and President and CEO are responsible for preparing the Consolidated Financial Statements in accordance with law no. 20/2021. This responsibility includes preparing the Consolidated Financial Statements in a XHTML format in accordance with EU regulation no. 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the Consolidated Financial Statements are prepared in all material respects, in accordance with the ESEF Regulation, 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.

In our opinion, the Consolidated Financial Statements of Össur hf. for the year 2022 with the file name ossur-2022-12-31.zip is prepared, in all material respects, in accordance with the European single electronic format regulation EU no. 2019/815.

Independent auditor's report

Appointment

We were first appointed as auditors at the company's annual general meeting on 8 March 2022. Consequently, we have been the auditors for one year.

Reykjavík, 31 January 2023

PricewaterhouseCoopers ehf.

Vignir Rafn Gíslason	Ljósbrá Baldursdóttir
State Authorized Public Accountant	State Authorized Public Accountant

Financial Highlights and Key Ratios (unaudited)

USD millions		2022	2021	2020	2019	2018
Income Statement						
Net sales		719	719	630	686	613
Gross profit		440	455	391	439	387
Operating expenses (excl. other income / exp.)		373	360	338	341	304
EBITDA		114	149	93	141	107
EBITDA before special items		128	149	93	150	115
EBIT		65	97	28	98	79
Net profit		43	66	8	69	80
Sales growth						
Sales growth USD	%	0	14	(8)	12	8
Growth breakdown:						
Organic growth	%	4	10	(10)	5	5
Currency effect	%	(7)	3	0	(4)	1
Acquired/divested business	%	3	1	2	11	2
Balance Sheet						
Total assets		1,325	1,247	1,214	1,091	914
Total Equity		636	627	577	569	538
Net interest-bearing debt (NIBD)		404	363	381	302	180
Cash Flow						
Cash generated by operations		92	128	119	120	92
Free cash flow		35	74	68	63	39
Key ratios						
Gross profit margin	%	61	63	62	64	63
EBIT margin	%	9	14	4	14	13
EBITDA margin	%	16	21	15	21	18
EBITDA margin before special items	%	18	21	15	22	19
Equity ratio	%	48	50	48	52	59
Net debt to EBITDA before special items		3.2	2.4	4.1	2.0	1.6
Effective tax rate	%	23	24	38	24	18
Return on equity	%	7	11	1	12	15
CAPEX to net sales	%	3.6	3.7	3.8	4.6	5.0
Full time employees at period end		3,892	3,761	3,385	3,449	3,147
Full time employees on average		3,866	3,668	3,505	3,382	2,775
Market						
Market value of equity		2,035	2,724	3,380	3,340	2,055
Number of shares in millions		423	423	423	425	431
EPS in US cents		10.3	15.6	1.9	16.3	18.8
Diluted EPS in US cents		10.3	15.5	1.9	16.2	18.7

*Refer to note 37 for definitions of key ratios and terms

Consolidated Income Statement

All amounts in USD '000	Notes	2022	2021
Net sales	3	718,650	718,669
Cost of goods sold		(278,902)	(263,282)
Gross profit		**439,748**	**455,387**
Other income / (expenses)		(2,296)	1,687
Sales and marketing expenses		(266,056)	(253,885)
Research and development expenses		(34,024)	(31,735)
General and administrative expenses		(72,529)	(74,143)
Earnings before interest and tax (EBIT)		**64,844**	**97,311**
Financial income		1,663	984
Financial expenses		(12,947)	(12,774)
Net exchange rate difference		2,612	1,119
Net financial expenses	8	(8,672)	(10,671)
Earnings before tax (EBT)		**56,172**	**86,640**
Income tax	9	(12,962)	(20,984)
Net profit		**43,210**	**65,656**
Attributable to:			
Owners of the Company		42,513	63,994
Non-controlling interests		697	1,662
Net profit		**43,210**	**65,656**
Earnings per share	10		
Earnings per share (US cent)		10.3	15.6
Diluted earnings per share (US cent)		10.3	15.5

Consolidated Statement of Comprehensive Income

All amounts in USD '000		2022	2021
Net profit		43,210	65,656
Items that may be reclassified subsequently to profit or loss:			
Change in cash flow hedges	22	(1,431)	(13)
Exchange differences on translating foreign operations		(23,968)	(14,098)
Income tax relating to components of other comprehensive income		(208)	(1,878)
Other comprehensive income, net of income tax		**(25,607)**	**(15,989)**
Total comprehensive income		**17,603**	**49,667**
Attributable to:			
Owners of the Company		16,906	48,005
Non-controlling interests		697	1,662
Total comprehensive income		**17,603**	**49,667**

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.12.2022	31.12.2021
Property, plant and equipment	11	54,189	55,349
Right of use assets	12	125,131	126,731
Goodwill	13	680,400	644,153
Other intangible assets	14	62,003	58,836
Investment in associates	15	13,751	13,647
Other financial assets	16	3,719	2,924
Deferred tax assets	24	37,320	27,044
Non-current assets		**976,514**	**928,684**
Inventories	17	132,127	103,985
Accounts receivable	18	112,372	102,768
Other assets	19	27,717	26,281
Bank balances and cash equivalents		76,631	85,197
Current assets		**348,847**	**318,231**
Total assets		**1,325,361**	**1,246,915**

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	31.12.2022	31.12.2021
Issued capital and share premium	20	66,211	75,571
Reserves		(70,467)	(45,917)
Retained earnings		639,961	591,932
Equity attributable to owners of the Company		635,704	621,586
Non-controlling interest		(194)	5,009
Total equity		**635,510**	**626,595**
Borrowings	23	277,709	262,190
Lease liabilities	12	116,376	118,674
Deferred tax liabilities	24	29,596	29,027
Provisions	25	5,808	4,629
Deferred income	26	6,042	6,250
Other financial liabilities	27	17,314	13,094
Non-current liabilities		**452,844**	**433,864**
Borrowings	23	62,068	46,043
Lease liabilities	12	24,770	21,244
Accounts payable		28,653	26,720
Income tax payable		11,012	7,350
Provisions	25	19,325	8,970
Accrued salaries and related expenses		42,005	42,341
Other financial liabilites	27	18,524	5,151
Other liabilities	29	30,651	28,637
Current liabilities		**237,007**	**186,456**
Total equity and liabilities		**1,325,361**	**1,246,915**

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	2022	2021
Earnings before interests and tax (EBIT)		64,844	97,311
Depreciation and amortization	11, 12, 14	49,365	51,643
Change in inventories		(28,620)	(15,783)
Change in receivables		(13,457)	(13,184)
Change in payables		10,942	7,758
Change in provisions		11,583	(402)
Other operating activities		(2,692)	755
Cash generated from operations		**91,965**	**128,098**
Interest received		1,581	880
Interest paid		(13,112)	(12,150)
Income tax paid		(19,663)	(16,298)
Net cash generated from operating activities		**60,771**	**100,530**
Purchase of fixed and intangible assets	11, 14	(25,942)	(26,688)
Acquisition of subsidiaries, net of cash in acquired entities	30	(41,784)	(33,940)
Other investing activities		1,465	1,181
Cash flows to investing activities		**(66,261)**	**(59,447)**
Proceeds from long-term borrowings	23	52,833	1,693
Repayments of long-term borrowings	23	(65,797)	(17,352)
Changes in revolving credit facility	23	48,588	(14,038)
Payments of lease liabilities	12	(21,264)	(20,046)
Dividends from subsidiaries paid to non-controlling interests		(630)	(1,330)
Purchased treasury shares		(9,941)	0
Cash flows from / (to) financing activities		**3,789**	**(51,073)**
Net change in cash		(1,702)	(9,990)
Exchange rate effects on cash held in foreign currencies		(6,864)	(7,176)
Cash at beginning of period		85,197	102,363
Cash at end of period		**76,631**	**85,197**

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Hedging reserve	Translation reserve	Accumulated profits	Attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2021	**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	**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**
Net profit							42,513	**42,513**	697	**43,210**
Change in cash flow hedges					(1,141)			**(1,141)**		**(1,141)**
Transl. diff. of shares in subsidiaries						(24,466)		**(24,466)**		**(24,466)**
Total comprehensive income	0	0	0	0	(1,141)	(24,466)	42,513	**16,906**	697	**17,603**
Payment of dividends								**0**	(630)	**(630)**
Share option charge for the period				2,221				**2,221**		**2,221**
Share option vested during the period	1	579		(1,164)			245	**(338)**		**(338)**
Purchase of treasury shares	(16)	(9,925)						**(9,941)**		**(9,941)**
Change in non-controlling interests							5,270	**5,270**	(5,270)	**0**
Balance at 31 December 2022	**4,781**	**61,430**	**1,267**	**5,150**	**(1,028)**	**(75,856)**	**639,961**	**635,704**	**(194)**	**635,510**

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. It requires retained earnings to be separated into two categories: restricted and unrestricted retained earnings. Profits, net of dividend, received from subsidiaries are classified as restricted retained earnings. The Company could, based on its control as the parent company, decide to let its subsidiaries pay dividends that would lower the restricted balance. As the Company has sufficient retained earnings from previous years, this legal act does not prevent the Company from making dividend payments to its shareholders.

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 December 2022 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 & supports products. The Company sells its products worldwide, but the principal markets 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 opinion of management that essential and mandatory information is disclosed which is relevant to an understanding of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and President and CEO on 31 January 2023. The Consolidated Financial Statements as presented in this report are subject to approval by the Annual General Meeting of Shareholders, to be held on 10 March 2023.

The Company is listed on the Nasdaq Copenhagen Stock Exchange.

2. Quarterly statements

		Unaudited			
	Full year 2022	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Net sales	718,650	190,944	176,701	180,945	170,060
Cost of goods sold	(278,902)	(75,008)	(68,587)	(69,843)	(65,463)
Gross profit	439,748	115,936	108,114	111,102	104,597
Gross profit margin	61%	61%	61%	61%	62%
Other income / (expenses)	(2,296)	1,252	(3,757)	61	149
Sales and marketing expenses	(266,056)	(68,049)	(66,734)	(65,980)	(65,293)
Research and development expenses	(34,024)	(8,864)	(8,262)	(7,616)	(9,283)
General and administrative expenses	(72,529)	(19,047)	(20,339)	(17,048)	(16,093)
EBIT	64,844	21,228	9,022	20,519	14,077
Net financial expenses	(8,672)	(5,056)	(410)	(1,440)	(1,766)
EBT	56,172	16,172	8,612	19,079	12,310
Income tax	(12,962)	(3,413)	(1,912)	(4,665)	(2,973)
Net profit	**43,210**	**12,759**	**6,700**	**14,414**	**9,337**
EBITDA	114,208	33,609	20,984	32,883	26,732
EBITDA margin	16%	18%	12%	18%	16%
EBITDA before special items	128,165	33,609	34,941	32,883	26,732
EBITDA margin before special items	18%	18%	20%	18%	16%

Notes to the Consolidated Financial Statements

3. Net Sales

	2022	2021
Specified according to geographical segments:		
Americas	350,749	338,882
EMEA	306,013	315,173
APAC	61,888	64,614
Total	**718,650**	**718,669**
Specified according to product lines:		
Prosthetics	455,709	452,772
Bracing & Supports	262,941	265,897
Total	**718,650**	**718,669**

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 warranty provisions and refer to note 26 for breakdown of revenues recognised over time and amounts deferred and released during the year. All other revenues are recognised 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. The geographical segments are EMEA (Europe Middle-East and Africa), Americas and APAC (Asia-Pacific).

2022	**Americas**	**EMEA**	**APAC**	**Eliminations**	**Consolidated**
Sales					
External sales	350,749	306,013	61,888	0	718,650
Inter-segment sales	103,506	454,827	13,072	(571,405)	0
Total sales	454,255	760,840	74,960	(571,405)	718,650
Results					
Segment results	24,597	34,977	5,270	0	64,844
Net financial expenses					(8,672)
EBT					56,172
Income tax					(12,962)
Net profit					**43,210**
Balance sheet 31.12.2022					
Segment assets	720,938	538,434	65,989	0	1,325,361
Segment liabilities	182,077	487,347	20,427	0	689,851
Other information					
Capital additions	6,350	18,350	1,242	0	25,942
Depreciation, impairment and amortization	16,899	28,929	3,537	0	49,365

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

Notes to the Consolidated Financial Statements

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

5. Sales and expenses split by main currencies

	2022			2021		
	LCY	USD	%	LCY	USD	%
Sales						
USD	320,039	320,039	45%	310,130	310,130	43%
EUR	154,664	162,914	23%	139,681	165,119	23%
ISK	337,268	2,483	0%	327,759	2,579	0%
Nordic curr. (SEK, NOK, DKK)		93,413	13%		102,099	14%
Other (GBP, AUD, CAD & Other)		139,801	19%		138,742	19%
Total		**718,650**	**100%**		**718,669**	**100%**
COGS and OPEX						
USD	312,567	312,567	48%	289,268	289,268	47%
EUR	108,448	114,789	17%	94,175	111,274	18%
ISK	8,787,768	65,084	10%	7,476,759	58,840	9%
Nordic curr. (SEK, NOK, DKK)		84,630	13%		91,396	15%
Other (GBP, MXN, CAD & Other)		76,736	12%		70,580	11%
Total		**653,806**	**100%**		**621,358**	**100%**

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

Notes to the Consolidated Financial Statements

6. Salaries

	2022	2021
Salaries	243,112	239,363
Salary-related expenses	55,553	53,497
	298,665	**292,860**

Full time employees (FTE) on average	3,866	3,668
Full time employees at period end	3,892	3,761

Included in salary-related expense are pension related expenses amounting to USD 18.5 million (2021: USD 17.6 million).

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

	2022	2021
Cost of goods sold	69,309	67,199
Sales and marketing expenses	156,562	154,998
Research and development expenses	20,297	21,746
General and administrative expenses	52,497	48,917
	298,665	**292,860**

Management salaries and benefits

	Salaries		Shares owned (ii)	
Board of Directors:	**2022**	**2021**	**2022**	**2021**
Niels Jacobsen - Chairman of the Board(i)	103	100	219,493,992	219,493,992
Svafa Grönfeldt - Vice Chairman	62	60	0	0
Alberto Esquenazi	41	40	0	0
Arne Boye Nielsen	41	40	0	0
Guðbjörg Edda Eggertsdóttir	41	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 (2021: 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 comparative period.

2022	**Fixed base salary**	**Cash based incentive**	**Pension**	**Other benefits**	**Share based incentive**	**Total remuneration**
Executive Management:						
Jón Sigurðsson, President and CEO until 31.3.2022	276	0	37	8	94	415
Sveinn Sölvason, President and CEO from 1.4.2022(i)	409	50	63	31	91	644
Executive management (9 people; 7 FTE)(ii)	2,302	214	305	25	815	3,661
	2,987	**264**	**406**	**63**	**1,000**	**4,720**

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

(i) Shares owned at year end by Sveinn Sölvason 68,342 (2021: 25,000)
(ii) Shares owned at year end by executive management at year end 994,938 (2021: 972,462).

Notes to the Consolidated Financial Statements

7. Fees to Auditors

	2022	2021
Audit of Financial Statements	1,400	1,569
Other services	127	215
	1,527	**1,784**

The table shows the fees to PricewaterhouseCoopers (PwC) and other component auditors attributable to the fiscal year 2022 and to Deloitte and other component auditors for 2021. No fees were paid to PwC for other services in the year 2022.

8. Financial Income / Expenses

	2022	2021
Interests on bank deposits	779	168
Share in profit of associated companies	357	396
Other financial income	527	420
Financial income	**1,663**	**984**
Interests on loans	(6,861)	(5,117)
Interest on leases	(4,343)	(4,681)
Other financial expenses	(1,743)	(2,976)
Financial expenses	**(12,947)**	**(12,774)**
Net exchange rate differences	2,612	1,119
Net financial expenses	**(8,672)**	**(10,671)**

9. Income Tax

	2022	2021
Current tax expenses	(23,956)	(19,487)
Deferred tax expenses	10,994	(1,497)
	(12,962)	**(20,984)**

	2022		2021	
	Amount	**%**	**Amount**	**%**
Earnings before taxes	56,172		86,640	
Income tax calculated at 20%	(11,234)	20%	(17,328)	20%
Effect of different tax rates of other jurisdictions	(369)	1%	(2,550)	3%
Effect of non-deductible expenses / non-taxable income	(243)	0%	(678)	1%
Effect of change in tax rate	(122)	0%	(3)	0%
Other effects	(994)	2%	(425)	0%
	(12,962)	**23%**	**(20,984)**	**24%**

The 20% tax rate used for 2022 and 2021 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.

Notes to the Consolidated Financial Statements

Deferred tax:	**2022**	**2021**
Origination and reversal of temporary differences	10,872	(1,500)
Effect of changes in tax rate	122	3
	10,994	**(1,497)**

Deferred tax recognized in the Consolidated Income Statement:

	1.1.2022	**Recognized in Income Statement**	**Recognized directly in equity**	**Acquisitions / disposals**	**Exc. rate difference**	**31.12.2022**
Goodwill	(11,296)	(2,111)			55	(13,352)
Intangible assets	(7,543)	460		(1,926)	342	(8,667)
Property, plant and equipment	(1,877)	375		(71)	(1)	(1,574)
Tax loss carry forward	2,066	265			(206)	2,125
Inventories	4,349	5,960		(115)	(59)	10,135
Provisions	2,883	4,156			(46)	6,993
Current liabilities	5,139	2,483		45	(29)	7,638
Receivables	758	341			(29)	1,070
Other	3,538	(935)	760		(7)	3,356
Total	**(1,983)**	**10,994**	**760**	**(2,067)**	**20**	**7,724**

	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)**

The Company has unused tax losses available for which no deferred tax asset is recognized. At year end 2022 these unused tax losses amounted to USD 16.8 million (2021: USD 15.0 million). USD 7.7 million of this amount will expire in 5-10 years (2021: USD 6.4 million). The remaining tax losses carry an indefinite term.

In relation to the elimination of intercompany gain in inventories, the Company has recognized a deferred tax benefit of USD 5.9 million (2021: USD 0.1 million) in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

10. Earnings per share

	2022	2021
Net profit	43,210	65,656
Total weighted average number of ordinary shares (in '000)	417,758	422,161
Adjustments for calculation of diluted earnings per share:		
Options	73	634
Total weighted average number of shares including potential shares (in '000)	417,831	422,795
Earnings per share (US cent)	10.3	15.6
Diluted earnings per share (US cent)	10.3	15.5

Notes to the Consolidated Financial Statements

11. Property, plant and equipment

2022	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	1,606	72,331	46,081	17,359	137,377
Reclassification	57	148	1,268	(1,473)	0
Additions	217	7,973	4,402	3,955	16,547
Business combinations	495	1,212	266	4	1,977
Eliminated on disposal	0	(263)	(491)	(263)	(1,017)
Fully depreciated assets	0	(11,078)	(3,412)	(5,139)	(19,629)
Exchange rate differences	(118)	(896)	(1,758)	(515)	(3,287)
At 31 December 2022	2,257	69,427	46,356	13,928	131,968
Depreciation					
At 1 January	412	44,326	25,360	11,930	82,028
Charge for the period	201	9,176	5,310	3,035	17,722
Eliminated on disposal	0	(163)	(357)	(229)	(749)
Fully depreciated assets	0	(11,078)	(3,412)	(5,139)	(19,629)
Exchange rate differences	(139)	(361)	(772)	(321)	(1,593)
At 31 December 2022	474	41,900	26,129	9,276	77,779
At 31 December 2022	**1,783**	**27,527**	**20,227**	**4,652**	**54,189**

Depreciation classified by functional category:	2022	2021
Cost of goods sold	8,945	8,571
Sales and marketing expenses	4,866	5,071
Research and development expenses	741	833
General and administrative expenses	3,170	4,081
Total	**17,722**	**18,556**

2021	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	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
Business combinations	63	519	526	(21)	1,087
Eliminated on disposal/divestment	(260)	(1,575)	(637)	(996)	(3,468)
Fully depreciated assets	0	(4,075)	(1,342)	(1,054)	(6,471)
Exchange rate differences	(136)	(1,059)	(1,902)	(432)	(3,529)
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
Eliminated on disposal/divestment	0	(1,044)	(349)	(987)	(2,380)
Fully depreciated assets	0	(4,075)	(1,342)	(1,054)	(6,471)
Exchange rate differences	(5)	(729)	(951)	(325)	(2,010)
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**

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

Notes to the Consolidated Financial Statements

12. Leases

Right of use assets

2022	Buildings & sites	Machinery & equipment	Total
At 1 January	123,992	2,739	126,731
Additions and renewals	27,815	1,770	29,585
Depreciation charge for the period	(19,319)	(1,858)	(21,177)
Eliminated on disposal and termination	(5,477)	0	(5,477)
Exchange rate differences	(4,364)	(167)	(4,531)
At 31 December 2022	**122,647**	**2,484**	**125,131**

Depreciation classified by functional category:	2022	2021
Cost of goods sold	8,471	8,522
Sales and marketing expenses	4,235	4,261
Research and development expenses	2,541	2,557
General and administrative expenses	5,930	5,965
Total	**21,177**	**21,305**

At end of December 2022, one of the Company's main location was moved to a new facility without finalizing a buyout agreement. As a result, the right of use asset for the related lease was terminated to the amount of USD 3.6 million. The buyout agreement was signed in January 2023 and the remaining contractual payments paid, totaling USD 5.0 million. A non-current lease liability at end of the year amounting to USD 3.0 million was reclassified to current Lease liabilities. The total lease liability relating to the lease amounts to USD 5.0 million.

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**

Lease liabilities

Contractual maturities analysis as follows:	31.12.2022	31.12.2021
In 2023 / 2022	29,598	25,403
In 2024 / 2023	22,841	23,555
In 2025 / 2024	19,803	21,048
In 2026 / 2025	16,201	17,376
Later	78,994	76,484
Total	**167,436**	**163,866**
Less: Present value discount	(26,290)	(23,948)
Lease liability	**141,146**	**139,918**

Lease related expenses recognised in Consolidated Income Statement:	2022	2021
Depreciation expense from right of use assets	21,177	21,305
Interest expense on lease liabilities	4,343	4,681
Exchange difference on lease liabilities	(2,974)	(930)
Short-term and low value lease expenses not included in lease liabilities	794	687
Termination on right of use asset	3,582	0
Total	**26,922**	**25,743**

Total cash outflow for leases	25,607	24,727

Notes to the Consolidated Financial Statements

13. Goodwill

	2022	2021
At 1 January	644,153	612,191
Business combinations	54,229	48,456
Divestment	0	(115)
Exchange rate differences	(17,982)	(16,379)
At 31 December 2022	**680,400**	**644,153**

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 adjustment of assets and liabilities provisionally determined, based on management best estimate, is USD 4.8 million (2021: USD 2.5 million). Fair value changes related to prior year acquisitions amounted to USD 0.1 million (2021: USD 0.6 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 carrying amount of goodwill was allocated to the following cash-generating units:

	WACC %	31.12.2022	31.12.2021
Americas	10.4 / 8.3	452,451	421,562
EMEA	9.4 / 7.8	211,722	206,046
APAC	9.7 / 8.7	16,227	16,545
Total		**680,400**	**644,153**

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 2023 approved by management and the Board of Directors. A post-tax discount rate of 9.4 - 10.4% (2021: 7.8 - 8.7%) per annum was used. The pre-tax discount rate is 9.7 - 10.7% (2021: 8.3 - 9.3%).

Cash flow projections in the forecast are based on gradual margin improvements throughout the period. Cash flows beyond 2027 have been extrapolated using a steady 2.5% (2021: 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 segment. 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

14. Other intangible assets

2022	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	38,278	19,460	1,863	48,839	108,440
Additions	158	2,180	98	748	3,184
Additions - internally generated	0	0	0	6,211	6,211
Business combinations	1,040	4,515	750	11	6,316
Eliminated on disposal	0	0	0	(305)	(305)
Fully amortized assets	(822)	(176)	0	(5,144)	(6,142)
Exchange rate differences	(1,715)	(970)	92	(118)	(2,711)
At 31 December 2022	36,939	25,009	2,803	50,242	114,993
Amortization					
At 1 January	25,319	5,986	300	17,999	49,604
Charge for the period	3,347	1,160	85	5,874	10,466
Eliminated on disposal	0	0	0	(74)	(74)
Fully amortized assets	(822)	(176)	0	(5,144)	(6,142)
Exchange rate differences	(805)	(113)	116	(62)	(864)
At 31 December 2022	27,039	6,857	501	18,593	52,990
At 31 December 2022	**9,900**	**18,152**	**2,302**	**31,649**	**62,003**

Amortization classified by functional category:	2022	2021
Cost of goods sold	143	118
Sales and marketing expenses	6,512	6,632
Research and development expenses	1,365	1,452
General and administrative expenses	2,446	3,465
Total	**10,466**	**11,667**

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
Business combinations	2,357	283	0	22	2,662
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**

Notes to the Consolidated Financial Statements

15. Investment in associates

	2022	2021
At 1 January	13,647	13,352
Additions	0	78
Share in net profit	357	396
Dividend received	(174)	(75)
Exchange rate differences	(79)	(104)
At 31 December	**13,751**	**13,647**

16. Other financial assets

	31.12.2022	31.12.2021
Restricted cash	393	477
Other financial assets	3,326	2,447
	3,719	**2,924**

Other financial assets mainly comprise of held to maturity securities.

17. Inventories

	31.12.2022	31.12.2021
Raw material	39,179	30,194
Work in progress	17,238	11,443
Finished goods	75,710	62,348
	132,127	**103,985**

Inventories of USD 7.7 million (2021: USD 8.3 million) are expected to be sold or used in production after more than twelve months.

Inventories recognized as an expense during the period amounted to USD 226.4 million (2021: USD 216.6 million). Thereof USD 2.3 million (2021: USD 2.5 million) was recognized as an expense in respect of write-downs of inventory to net realizable value. There was no reversal of prior write down. Reserve for obsolete inventories at year end amounted to USD 4.8 million compared to USD 4.8 million in 2021.

Notes to the Consolidated Financial Statements

18. Accounts Receivable

	31.12.2022	31.12.2021
Nominal value	117,324	108,041
Allowances for doubtful accounts	(4,952)	(5,273)
	112,372	**102,768**

The average credit period on sale of goods are 47.5 days (2021: 44.4 days). An allowance has been made for doubtful accounts. This allowance has been determined by management with reference to expected credit loss (ECL). Management considers that the carrying amount of receivables approximates their fair value.

Movement in the allowance for doubtful accounts	**2022**	**2021**
At 1 January	(5,273)	(4,666)
Impairment (losses)/gains recognized on receivables	(145)	(1,978)
Amounts written off as uncollectable	368	1,193
Exchange rate difference	98	178
At 31 December	**(4,952)**	**(5,273)**

	31.12.2022				
Accounts receivable	**Gross carrying amount at default**	**Expected credit loss rate**	**Collective allowance (lifetime ECL)**	**Individual allowance**	**Net carrying amount**
Not past due	74,282	0.1%	100	144	74,038
Less than six months past due	35,585	1.7%	603	166	34,816
Six to twelve months past due	3,504	31.6%	1,109	55	2,340
More than twelve months past due	3,953	68.5%	2,709	66	1,178
	117,324		**4,521**	**431**	**112,372**

	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**

The expected credit loss on accounts receivable is estimated using a provision matrix with 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 allowances 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.

Notes to the Consolidated Financial Statements

19. Other assets

	31.12.2022	31.12.2021
Prepaid expenses	14,497	14,045
VAT refundable	4,364	2,756
Other	8,856	9,480
	27,717	**26,281**

20. Issued capital and share premium

Common stock is as follows in thousands of shares:

	Issued shares	Treasury shares	Total
Balance at 1 January 2021	423,000	(902)	422,098
Sold treasury shares		162	162
Balance at 31 December 2021	423,000	(740)	422,260
Sold treasury shares		130	130
Purchased treasury shares		(2,101)	(2,101)
Balance at 31 December 2022	**423,000**	**(2,711)**	**420,289**

Movement in issued capital is as follows in USD thousands:

	Share capital	Share premium	Total
Balance at 1 January 2021	4,794	70,077	74,871
Sold treasury shares	1	699	700
Balance at 31 December 2021	4,795	70,776	75,571
Sold treasury shares	1	579	580
Purchased treasury shares	(16)	(9,925)	(9,941)
Balance at 31 December 2022	**4,781**	**61,430**	**66,211**

Decisions on share buybacks are made in accordance with the Company's Capital Structure and Capital Allocation Policy, within the authorizations granted by the Annual General Meeting. The share buyback programs are managed by Nordea, which make its trading decisions independently and without influence by the Company regarding the timing of the purchases. It should be noted that the share buyback program was temporarily paused on 25 October as the net interest – bearing debt to EBITDA corresponded to 2.8x at the end of Q3 2022, at the upper end of the target range of 2.0 – 3.0x NIBD/EBITDA. Share option contracts amounting to 130.000 Össur shares were exercised during the year.

Notes to the Consolidated Financial Statements

21. Share option contracts

The Company has in place a share option plan, approved by 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. The Company allows net settlement of options in which an equivelant number of shares are delivered to the employee that equals to the profit of the exercised options. With net settlement, the Company does not deliver in full the number of shares at exercise price. The fair value of the share options granted are valued using the Black-Scholes pricing model. Variables used in the Black-Scholes calculation are the exercise price per share, expected life in years, estimated volatility, annual rate of quarterly dividends and annual discount rate. In 2022, the expected volatility assumptions used to value the options ranged from 28.1% to 30.4% and the annual discount rate ranged from -0.5% to 2.4%. Expected life of options are three years and expire one year after the vesting 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 year	Exercise year	Exercise price (in DKK)	Share price at grant date (in DKK)	Weighted average remaining contr. life in months
Issued to Executive Management:						
Sveinn Sölvason President and CEO	400,000	2019 - 2022	2022 - 2025	29.9 - 44.6	29.1 - 43.5	10
Executive management (3 persons)	330,000	2019	2022	32.3 - 45.5	33.5 - 47.9	0
Executive management (3 persons)	256,400	2020	2023	45.5 - 46.3	45.5 - 47.5	9
Executive management (6 persons)	686,400	2021	2024	44.4 - 44.6	43.2 - 43.5	14
Executive management (6 persons)	500,000	2022	2025	28.4 - 41.6	29.5 - 44.0	30
Total	2,172,800					
Issued to Management team:						
Nine managers	265,200	2019	2022	32.3 - 49.8	33.5 - 52.3	0
Twenty managers	1,276,200	2020	2023	38.5 - 46.3	38.6 - 47.5	4
Thirty-eight managers	1,450,400	2021	2024	44.4 - 46.8	43.2 - 47.7	15
Eighteen managers	625,000	2022	2025	28.4 - 41.6	29.5 - 44.0	30
Total	3,616,800					
Total	**5,789,600**					**13**

Movements in share options during the period:

	2022		2021	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at 1 January	5,908,400	40.5	4,463,000	36.3
Granted during period	1,195,000	34.6	2,386,800	44.7
Forfeited during period	(150,800)	46.3	(166,400)	46.1
Exercised during period	(1,163,000)	28.5	(775,000)	28.2
Total outstanding at 31 December	**5,789,600**	**37.6**	**5,908,400**	**40.5**

Notes to the Consolidated Financial Statements

Estimated remaining cost due to the share option contracts is USD 2.9 million. An expense of USD 2.2 million (2021: USD 2.3 million) is recognized in the Consolidated Income Statement for the period. Exercise period of the share options contracts is 2023-2026.

22. Hedging Reserve

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 approximately 50% of yearly ISK costs. Due to the layered approach, hedge ratio of closed contracts is approximately 80% of ISK costs. Össur applies hedge accounting (IFRS 9) to the extent possible.

Movements in hedge reserve during the period:

	2022	**2021**
At 1 January	113	196
Change in fair value of hedging instrument recognised in OCI	(2,815)	(2,360)
Reclassified to Income Statement	1,384	2,347
Deferred tax	290	(70)
At 31 December	**(1,028)**	**113**

At balance sheet date eleven forward contracts are open. The fair value of the contracts results in a liability of USD 1.3 million at year end 2022 (2021: USD 0.1 million asset). The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

	2022	**2021**
Carrying amount (current liability)	1,321	(130)
Notional amount	29,885	29,880
Maturity date	Mar-Dec 23	Mar-Dec 22
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since inception of the hedge	(2,815)	(2,360)
Weighted average hedged rate for outstanding hedging instruments	147.9	150.5

Notes to the Consolidated Financial Statements

23. Borrowings

	31.12.2022	31.12.2021
Loans in USD	125,025	112,017
Loans In EUR	214,751	196,216
Total	**339,777**	**308,233**

Non-Current	277,709	262,190
Current	62,068	46,043
Total	**339,777**	**308,233**

Aggregated maturities of borrowings are as follows:

	31.12.2022	31.12.2021
In 2023 / 2022	62,068	46,043
In 2024 / 2023	0	129,891
In 2025 / 2024	149,198	248
In 2026 / 2025	53,404	232
Later	75,107	131,819
	339,777	**308,233**

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

	2022	2021
At 1 January	308,233	357,523
Cash flows	35,624	(29,697)
Non-cash changes:		
Acquisition related	0	(4,819)
Exchange rate differences	(4,773)	(15,286)
Amortization of transaction costs	693	512
At 31 December 2022	**339,777**	**308,233**

On 14 December 2022, Össur refinanced its loan agreement with Nordea and Danske Bank. The new loan is a EUR 165 million term and revolving credit facility on floating rates, a three year tenure with two one-year extension options (final maturity in December 2027 if utilized).

The weighted average interest on outstanding loans at 31.12.2022 was 2.9%. The following table highlights key information of the Company´s borrowings:

Lender	Type	Currency	Interest type	Outstanding	Available
Nordea, Danske Bank	Term, Bullet	EUR	Floating	53,576	0
Nordea, Danske Bank	Revolver	EUR	Floating	95,994	26,665
European Investment Bank	Term, Bullet	USD	Fixed	75,000	0
Nordic Investment Bank	Term, Bullet	EUR	Fixed	53,330	0
Nordic Investment Bank	Term, Amortizing	EUR	Fixed	11,851	0
Danske Bank	Overdraft	Multicurrency	Floating	50,025	29,760
Total				**339,777**	**56,425**

Notes to the Consolidated Financial Statements

24. Deferred tax assets / (liabilities)

	2022	2021
At beginning of period	(1,983)	1,459
Income tax payable for the period	23,956	19,487
Calculated tax for the period	(12,962)	(20,984)
Arising on acquisition of a subsidiary	(2,067)	(256)
Recognized directly through equity	760	(1,718)
Exchange rate differences	20	29
At 31 December	**7,724**	**(1,983)**
Deferred tax in the Balance Sheet:		
Deferred tax asset	37,320	27,044
Deferred tax liabilities	(29,596)	(29,027)
	7,724	**(1,983)**

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

31.12.2022	**Assets**	**Liabilities**	**Net**
Goodwill	5,747	(19,099)	(13,352)
Intangible assets	1,301	(9,968)	(8,667)
Property, plant and equipment	897	(2,471)	(1,574)
Tax loss carry forward	2,125	0	2,125
Inventories	10,960	(825)	10,135
Provisions	6,993	0	6,993
Current liabilities	8,086	(448)	7,638
Receivables	1,222	(152)	1,070
Other	4,638	(1,282)	3,356
Total tax assets / (liabilities)	41,969	(34,245)	7,724
Tax asset and liabilities offsetting	(4,649)	4,649	0
	37,320	**(29,596)**	**7,724**

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)**

The Company has unused tax losses available for which no deferred tax asset is recognized. At year end 2022 these unused tax losses amounted to USD 16.8 million (2021: USD 15.0 million). USD 7.7 million of this amount will expire in 5-10 years (2021: USD 6.4 million). The remaining tax losses carry an indefinite term.

Notes to the Consolidated Financial Statements

25. Provisions

2022	Warranty provisions	Other provisions	Total
At 1 January	7,386	6,213	13,599
Additional provision recognized	7,835	18,321	26,156
Utilization of provision	(5,133)	(9,142)	(14,275)
Exchange rate differences	(166)	(181)	(347)
At 31 December 2022	**9,922**	**15,211**	**25,133**
Non-current	4,497	1,311	5,808
Current	5,425	13,900	19,325
At 31 December 2022	**9,922**	**15,211**	**25,133**

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)
Restatement of comparative information*	0	(5,863)	(5,863)
At 31 December 2021	**7,386**	**6,213**	**13,599**
Non-current	3,703	926	4,629
Current	3,683	5,287	8,970
At 31 December 2021	**7,386**	**6,213**	**13,599**

* Estimated payments due to earn outs relating to acquisitions, previously presented in other provisions have been reclassified to other financial liabilities (note 27). Comparative numbers have been adjusted accordingly.

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 mainly consists of restructuring provisions.

26. Deferred income

	2022	2021
At 1 January	9,621	9,834
Deferred income	3,472	3,578
Released from deferred income	(3,233)	(3,273)
Exchange rate differences	(501)	(518)
At 31 December	**9,359**	**9,621**
Non-current	6,042	6,250
Current	3,317	3,371
At 31 December	**9,359**	**9,621**

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. The current deferred income are presented as part of other liabilities in the Consolidated Balance Sheet as indicated in note 29.

Notes to the Consolidated Financial Statements

27. Other financial liabilities

	31.12.2022	31.12.2021
Deferred payments relating to acquisitions	23,791	11,166
Earnouts relating to acquisitions	9,520	5,863
Derivatives and other	2,527	1,216
	35,838	**18,245**
Non-current	17,314	13,094
Current	18,524	5,151
	35,838	**18,245**

Earnouts relating to acquisitions have been reclassified from provisions and acquisition related liabilities from other liabilities into Other financial liabilities. Comparatives have been adjusted accordingly. Derivatives consists of fair value of hedge contracts and a purchase option of minority shares in subsidiary.

28. 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:

Associates	**2022**	**2021**
Sales of products	2,104	2,093
Related party receivables at 31 December	345	376

Other related parties	**2022**	**2021**
Sales of products	1,187	1,226
Purchases	2,260	2,258
Related party receivables at 31 December	423	410

For disclosures relating to key management positions, refer to note 6.

29. Other liabilities

	31.12.2022	31.12.2021
Accrued expenses	17,220	15,540
Sales tax and VAT	4,121	4,610
Deferred income	3,317	3,371
Sales return accrual	1,849	1,904
Other	4,144	3,212
	30,651	**28,637**

Notes to the Consolidated Financial Statements

30. Business combinations

Acquisition of subsidiaries

Össur made acquisitions during 2022 to strengthen the Company's sales channels. In the Consolidated Income Statement of the year 2022, sales amounting to USD 11.1 million (2021: USD 15.4 million) and net profit of USD 0.3 million (2021: USD 2.5 million) were related to these acquisitions. Full year sales in acquired entities amounted to USD 18.3 million in 2022.
One of the acquisitions during the year was a 100% share in Naked Prosthetics, a leading provider of mechanical finger prosthesis for finger and partial hand amputees. Naked Prosthetics has around 70 employees and is located in Olympia, Washington US. Their full year sales amounted to USD 9 million.

The total purchase price allocation (PPA) amounted to USD 4.7 million (2021: USD 1.9 million), mainly related to intangible assets. The PPA for assets and liabilities acquired in 2021 was finalized during 2022, resulting in fair value changes of USD 0.1 million (2021: USD 0.6 million), mainly relating to fair value recognition of other intangible assets. The initial accounting for the acquisitions in 2022 has been provisionally determined at balance sheet date. The PPA will be finalized within 12 months from the acquisition date.

Amortization of intangibles relating to the provisional PPA was recognized in the Consolidated Income Statement for USD 0.2 million (2021: USD 0.4 million) during 2022.

2022

Assets acquired and liabilities recognized at the date of acquisition:	Book value at acquisition date			Fair value changes of net identifiable	Total
	Americas	EMEA	Total	assets	fair value
Non-current assets	1,355	557	1,912	6,433	8,345
Current assets	5,232	2,157	7,389	0	7,389
Non-current liability	(295)	0	(295)	(1,786)	(2,081)
Current liabilities	(3,142)	(1,085)	(4,227)	0	(4,227)
	3,150	**1,629**	**4,779**	**4,647**	**9,426**

Consideration	63,655
Book value of identifiable net assets acquired	(4,779)
Fair value changes of identifiable net assets acquired	(4,647)
Goodwill arising on acquisition	**54,229**

Consideration	63,655
Deferred payments on current year´s acquisitions	(23,450)
Payments on prior year´s acquisitions	3,947
Cash from acquired companies	(2,368)
Consideration shown in Cash flow	**41,784**

Notes to the Consolidated Financial Statements

2021

	Book value at acquisition date			Fair value changes of net identifiable	Total
	Americas	**EMEA**	**Total**	**assets**	**fair value**
Non-current assets	384	1,000	1,384	2,365	3,749
Current assets	2,872	2,094	4,966	(414)	4,552
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 changes 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)
Payments on prior year´s acquisitions / divestments	(6,806)
Cash from acquired companies	(1,387)
Consideration shown in Cash flow	**33,940**

31. Financial instruments

Capital risk management

The Company manages capital to ensure that the Company 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 2021.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Net debt to EBITDA before special items ratio
The 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 before special items.

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

	31.12.2022	**31.12.2021**
Net debt	404,291	362,954
EBITDA before special items	128,165	148,954
Net debt/EBITDA before special items	**3.2**	**2.4**

Notes 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. This is performed through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include liquidity risk, interest rate risk, foreign currency exchange risk and counterparty credit risk.

The general policy is to apply natural hedging to the extent possible but Össur also uses 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.

Foreign currency risk management

The Company operates in 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 approximately 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 results in a liability of USD 1.3 million at year end 2022 (2021: USD 0.1 million asset). 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	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
EUR	267,301	220,727	39,175	49,389
USD	220,718	232,494	94,616	86,721
ISK	42,293	37,064	10,608	8,409
SEK	24,145	23,678	11,875	13,539
GBP	6,986	6,721	5,505	8,366
Other	31,800	32,515	58,660	50,746
	593,243	**553,199**	**220,439**	**217,170**

Notes to the Consolidated Financial Statements

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuation of the Icelandic krona (ISK) and the Euro (EUR).

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)	
	2022	2021	2022	2021
Net profit	4,400	4,091	(4,818)	(4,203)
Equity	(243)	1,518	(1,177)	(3,017)

(i) 17% (2021: 18%) of the Company's COGS and OPEX is in EUR against 23% (2021: 23%) of its sales causing an increase in profit if the USD decreases against the EUR.

(ii) 10% (2021: 9%) of the Company's COGS and OPEX is in ISK against 0.0% (2021: 0.3%) of its sales causing a decrease in profits if the USD decreases against the ISK.

Hedge accounting is not considered in the above calculation.

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 and to ensure optimal hedging strategies are applied. The Company did not have any interest rate swap agreements outstanding at balance sheet date.

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.

Notes to the Consolidated Financial Statements

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 133.1 million, consisting of undrawn revolving credit facilities of USD 56.4 million (2021: USD 108.8 million) and cash and cash equivalents of USD 76.6 million (2021: USD 85.2 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
31.12.2022					
Borrowings	2.2%	69,804	294,964	7	364,775
Lease liabilities	3.6%	29,598	82,627	55,210	167,436
Non-interest bearing liabilities	-	116,515	16,111	0	132,626
		215,918	**393,702**	**55,218**	**664,837**
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**

Credit risk management

The Company manages the financial counterparty credit risk centrally. Primary Banks should have a long-term credit rating of at least A-/A3 and a short-term credit rating of at least A-2/P-2. Other financial counterparties should have investment grade credit ratings.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

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 18 for assessment of expected credit loss (ECL) and accounting policy on impairment on financial assets.

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

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

Notes to the Consolidated Financial Statements

Fair value of financial instruments

All financial assets and liabilities are measured at amortized cost through income statement except for the cash flow hedge that is measured at fair value through other comprehensive income.

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 to approximate their fair values.

	31.12.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Borrowings	339,777	340,946	308,233	308,678

32. Other information

From 2021, the Company is required to file the primary statements of the Consolidated 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-2022-12-31.zip”.

33. Insurance

	31.12.2022		31.12.2021	
	Insurance value	Book value	Insurance value	Book value
Fixed assets and inventories	195,247	191,075	187,503	164,105

The book value of fixed assets and inventories is adjusted for inventory reserve.
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 the Company has numerous insurances in place that are necessary to insure against the risks to its operations, including but not limited to general and product liability, professional liability, product recall insurance, directors and officers liability and certain types of frauds towards the Company.

34. Comparative information

Comparative figures disclosed in the notes to these financial statements have been reclassified to conform with the current year´s disclosure format for the purpose of compliance with International Financial Reporting Standards as adopted by the European Union (EU).

Notes to the Consolidated Financial Statements

35. Adoption of new and revised standards

New and amended IFRS that are effective for the current year

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

Amendment to IAS 16 Property, Plant and Equipment: Proceeds before intended use.
Amendment IFRS 3 Business Combinations: Reference to the Conceptual Framework.
Amendment to IAS 37 Provision, Contingent Liabilities and Contingent Assets. Cost of fulfilling a contract.

New and revised IFRS 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 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 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.
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

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

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. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. 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.

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.

Notes to the Consolidated Financial Statements

Goodwill

Goodwill is initially recognized as an asset 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 & 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

Notes to the Consolidated Financial Statements

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.

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, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease, e.g. term, country and currency.

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 asset is initially measured at the amount equal to the initial measurement of lease liability. 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.

Notes to the Consolidated Financial Statements

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 21.

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.

Notes to the Consolidated Financial Statements

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:

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

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

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

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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. 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).

Notes to the Consolidated Financial Statements

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 applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for accounts receivables. 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 allowance 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.

Notes to the Consolidated Financial Statements

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 31.

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.

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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.

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.

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. Details of impairment calculations are set out in note 13.

Notes to the Consolidated Financial Statements

37. Definitions of key ratios and terms

EBIT
Earnings before interest and taxes

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

EBITDA before special items
Management monitors the performance measure EBITDA before special items, at a consolidated level and considers the measure relevant to an understanding of the Company's financial performance as it facilitates a better comparison of the Consolidated Income Statement between periods. Special items comprise material amounts of a non-recurring nature, such as costs relating to divestments, closure or restructuring, lawsuits, etc.

Gross profit margin
Gross profit as a percentage of net sales

EBITDA margin
EBITDA as a percentage of revenues

EBIT margin
EBIT as a percentage of revenues

Free cash flow
Cash from operations less capital expenditure

Equity ratio
Equity as a percentage of total assets

Net interest-bearing debt (NIBD) to EBITDA before special items
Aggregated interest bearing debt, consisting of borrowings and lease liabilities, less cash and cash equivalents divided by EBITDA before special items

Return on equity
Net profit as a percentage of average equity

Capex to net sales
The amount of purchased fixed and intangible assets to net sales

Market value of equity
Value of the Company's equity, measured by multiplying the current stock price by the total number of outstanding shares

Sales growth
The change in revenue compared to prior period

Earnings per share (EPS)
Net profit attributable to the parent Company's shareholders, divided by the parent Company's average number of shares outstanding for the period

Diluted Earnings per share (EPS)
Net profit attributable to the parent Company's shareholders, divided by the parent Company's average number of shares outstanding for the period adjusted for effects of outstanding share option contracts.

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