

Össur hf.

**Condensed Interim Consolidated
Financial Statements**

30.9.2022

Össur hf

Grjóthálsi 5

110 Reykjavík

Id-no. 560271-0189

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January 2022 to 30 September 2022 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU. The Condensed Interim Consolidated Financial Statements are neither audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 528 million and the net profit amounted to USD 30 million. Össur's Consolidated total assets amounted to USD 1,275 million at the end of period, liabilities were USD 666 million, and equity was USD 608 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 30 September 2022 and operating performance of the period ended 30 September 2022.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January 2022 to 30 September 2022 and confirm them by means of their signatures.

Reykjavík, 25 October 2022

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt

Alberto Esquenazi

Arne Boye Nielsen

Guðbjörg Edda Eggertsdóttir

President and CEO

Sveinn Sölvason

Consolidated Income Statement

All amounts in USD '000	Notes	9M 2022	9M 2021	Q3 2022	Q3 2021
Net sales	3	527,706	531,127	176,701	180,289
Cost of goods sold		(203,893)	(196,275)	(68,587)	(68,513)
Gross profit		323,813	334,852	108,114	111,776
Other income / (expenses)		(3,548)	594	(3,757)	85
Sales and marketing expenses		(198,007)	(186,261)	(66,734)	(62,309)
Research and development expenses		(25,160)	(23,338)	(8,262)	(8,011)
General and administrative expenses		(53,481)	(54,479)	(20,339)	(16,845)
Earnings before interest and tax (EBIT)		43,617	71,368	9,022	24,696
Financial income		1,367	422	574	232
Financial expenses		(9,161)	(9,437)	(3,468)	(2,727)
Net exchange rate difference		4,177	785	2,484	764
Net financial expenses		(3,617)	(8,230)	(410)	(1,731)
Earnings before tax (EBT)		40,000	63,138	8,612	22,965
Income tax		(9,549)	(15,037)	(1,912)	(5,535)
Net profit		30,451	48,101	6,700	17,430
Attributable to:					
Owners of the Company		29,609	46,430	6,760	16,727
Non-controlling interests		842	1,671	(60)	703
Net profit		30,451	48,101	6,700	17,430
Earnings per share					
Earnings per share (US cent)		7.3	11.4	1.6	4.1
Diluted earnings per share (US cent)		7.3	11.4	1.6	4.1

Consolidated Statement of Comprehensive Income

All amounts in USD '000	9M 2022	9M 2021	Q3 2022	Q3 2021
Net profit	30,451	48,101	6,700	17,430
Items that may be reclassified subsequently to profit or loss:				
Change in cash flow hedges	(109)	(396)	(579)	(1,154)
Exchange differences on translating foreign operations	(39,453)	(10,568)	(17,483)	(7,712)
Income tax relating to components of other comprehensive income	(1,576)	(1,222)	(435)	(152)
Other comprehensive income, net of income tax	(41,138)	(12,186)	(18,497)	(9,018)
Total comprehensive income	(10,687)	35,915	(11,797)	8,412
Attributable to:				
Owners of the Company	(11,529)	34,244	(11,737)	7,709
Non-controlling interests	842	1,671	(60)	703
Total comprehensive income	(10,687)	35,915	(11,797)	8,412

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	30.9.2022	31.12.2021
Property, plant and equipment	5	52,403	55,349
Right of use assets	6	112,313	126,731
Goodwill	7	675,070	644,153
Other intangible assets	8	64,467	58,836
Investment in associates		13,564	13,647
Other financial assets		5,448	2,924
Deferred tax assets		30,761	27,044
Non-current assets		954,026	928,684
Inventories		122,722	103,985
Accounts receivables		104,279	102,768
Other assets		26,675	26,281
Bank balances and cash equivalents		66,798	85,197
Current assets		320,474	318,231
Total assets		1,274,500	1,246,915

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000		30.9.2022	31.12.2021
Issued capital and share premium		66,919	75,571
Reserves		(86,333)	(45,917)
Retained earnings		621,690	591,932
Equity attributable to owners of the Company		602,276	621,586
Non-controlling interest		5,851	5,009
Total equity		608,127	626,595
Borrowings	9	130,790	262,190
Lease liabilities		102,361	118,674
Deferred tax liabilities		34,113	29,027
Provisions		27,811	8,788
Deferred income		5,293	6,250
Other financial liabilities		22,367	8,935
Non-current liabilities		322,735	433,864
Borrowings	9	196,014	46,043
Lease liabilities		20,098	21,244
Accounts payable		26,832	26,720
Income tax payable		8,379	7,350
Provisions		26,079	10,674
Accrued salaries and related expenses		37,678	42,341
Other liabilities		28,560	32,084
Current liabilities		343,638	186,456
Total equity and liabilities		1,274,500	1,246,915

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	9M 2022	9M 2021	Q3 2022	Q3 2021
Earnings before interests and tax (EBIT)		43,617	71,368	9,022	24,696
Depreciation, amortization and impairment	5, 6, 7, 8	36,983	36,973	11,963	12,614
Change in inventories		(25,492)	(11,522)	(12,691)	(3,864)
Change in receivables		(13,686)	(20,256)	(2,102)	(4,186)
Change in payables		31	10,084	(1,151)	712
Change in provisions		14,233	1,968	18,365	1,207
Other operating activities		(2,881)	382	(1,941)	238
Cash generated by operations		52,805	88,997	21,465	31,417
Interest received		1,382	314	591	116
Interest paid		(7,236)	(8,095)	(2,258)	(1,591)
Income tax paid		(10,364)	(20,544)	(2,621)	(10,086)
Net cash provided by operating activities		36,587	60,672	17,177	19,856
Purchase of fixed and intangible assets	5, 8	(18,726)	(17,950)	(5,276)	(7,202)
Acquisition of subsidiaries, net of cash in acquired entities		(40,888)	(37,999)	(28,786)	(1,549)
Other investing activities		1,118	36	360	340
Cash flows to investing activities		(58,496)	(55,913)	(33,702)	(8,411)
Proceeds from long-term borrowings		0	694	0	164
Repayments of long-term borrowings		(6,251)	(10,739)	(128)	(209)
Changes in revolving credit facility		46,504	7,789	29,066	(7,869)
Payments of lease liabilities		(15,873)	(14,823)	(5,171)	(5,125)
Dividends from subsidiaries paid to non-controlling interests		0	(1,402)	0	(1,402)
Purchases of treasury shares		(9,217)	0	(2,172)	0
Cash flows from / (to) financing activities		15,163	(18,481)	21,595	(14,441)
Net change in cash		(6,746)	(13,722)	5,070	(2,996)
Exchange rate effects on cash held in foreign currencies		(11,653)	(5,215)	(6,009)	(3,368)
Cash at beginning of period		85,197	102,363	67,737	89,790
Cash at end of period		66,798	83,426	66,798	83,426

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	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							46,430	46,430	1,671	48,101
Change in cash flow hedges					(468)			(468)		(468)
Transl. diff. of shares in subsidiaries						(11,718)		(11,718)		(11,718)
Total comprehensive income	0	0	0	0	(468)	(11,718)	46,430	34,244	1,671	35,915
Payment of dividends								0	(1,402)	(1,402)
Share option charge for the period				1,345				1,345		1,345
Share option vested during the period	1	472		(166)			(704)	(397)		(397)
Balance at 30 September 2021	4,795	70,549	1,267	3,686	(272)	(47,202)	574,881	607,704	4,946	612,650
Balance at 1 January 2022	4,795	70,776	1,267	4,093	113	(51,390)	591,932	621,586	5,009	626,595
Net profit							29,609	29,609	842	30,451
Change in cash flow hedges					(87)			(87)		(87)
Transl. diff. of shares in subsidiaries						(41,051)		(41,051)		(41,051)
Total comprehensive income	0	0	0	0	(87)	(41,051)	29,609	(11,529)	842	(10,687)
Share option charge for the period				1,702				1,702		1,702
Share option vested during the period	1	564		(980)			149	(266)		(266)
Purchase of treasury shares	(15)	(9,203)						(9,217)		(9,217)
Balance at 30 September 2022	4,782	62,137	1,267	4,815	26	(92,441)	621,690	602,276	5,851	608,127

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the period. New and amended IFRS Standards that are effective for the current year did not have any impact on the Company's Financial Statements. The Company has not early applied new and revised IFRS standards that have been issued but are not yet effective. The Financial Statements are presented in USD, which is the Company's functional currency. They do not include all of the information required for full Annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period ended 31 December 2021. The Company's Annual Consolidated Financial Statements can be found on the Company's website www.ossur.com.

Basis of preparation

The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Condensed Interim Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand ('000), except when otherwise indicated. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Consolidated Financial Statements for the period ended 31 December 2021.

Notes to the Consolidated Financial Statements

2. Quarterly statements

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net sales	176,701	180,945	170,060	187,542	180,289
Cost of goods sold	(68,587)	(69,843)	(65,463)	(67,007)	(68,513)
Gross profit	108,114	111,102	104,597	120,535	111,776
Gross profit margin	61%	61%	62%	64%	62%
Other income / (expenses)	(3,757)	61	149	1,093	85
Sales and marketing expenses	(66,734)	(65,980)	(65,293)	(67,624)	(62,309)
Research and development expenses	(8,262)	(7,616)	(9,283)	(8,397)	(8,011)
General and administrative expenses	(20,339)	(17,048)	(16,093)	(19,664)	(16,845)
EBIT	9,022	20,519	14,077	25,943	24,696
Net financial expenses	(2,894)	(2,449)	(2,451)	(2,775)	(2,495)
Net exchange rate difference	2,484	1,009	684	334	764
EBT	8,612	19,079	12,310	23,502	22,965
Income tax	(1,912)	(4,665)	(2,973)	(5,947)	(5,535)
Net profit	6,700	14,414	9,337	17,555	17,430
EBITDA	20,984	32,883	26,732	40,613	37,310
EBITDA margin	12%	18%	16%	22%	21%
EBITDA before special items	34,941	32,883	26,732	40,613	37,310
EBITDA margin before special items	20%	18%	16%	22%	21%
Organic sales growth	4%	(1%)	6%	5%	4%
LCY sales growth	6%	2%	10%	11%	4%

3. Net Sales

	9M 2022	9M 2021	Q3 2022	Q3 2021
Specified according to geographical segments:				
Americas	255,359	250,667	90,570	88,458
EMEA	225,884	232,801	68,745	76,613
APAC	46,463	47,659	17,385	15,218
Total	527,706	531,127	176,701	180,289
Specified according to product lines:				
Prosthetics	333,231	334,614	113,956	115,325
Bracing and Supports	194,475	196,513	62,745	64,964
Total	527,706	531,127	176,701	180,289

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	9M 2022			Q3 2022		
	LCY	USD	%	LCY	USD	%
Sales						
USD	231,521	231,521	44%	82,636	82,636	47%
EUR	112,861	120,255	23%	36,516	36,799	21%
ISK	229,416	1,731	0%	81,862	590	0%
Nordic curr. (SEK, NOK, DKK)		68,485	13%		20,014	11%
Other (GBP, AUD, CAD & Other)		105,714	20%		36,662	21%
Total		527,706	100%		176,701	100%
COGS and OPEX						
USD	227,626	227,626	47%	97,731	97,731	58%
EUR	80,276	86,036	18%	17,306	17,440	10%
ISK	6,406,608	48,490	10%	2,069,066	14,915	9%
Nordic curr. (SEK, NOK, DKK)		62,561	13%		17,662	11%
Other (GBP, MXN, CAD & Other)		59,376	12%		19,931	12%
Total		484,089	100%		167,679	100%

	9M 2021			Q3 2021		
	LCY	USD	%	LCY	USD	%
Sales						
USD	229,009	229,009	43%	81,272	81,272	45%
EUR	102,129	122,181	23%	34,253	40,388	22%
ISK	230,601	1,832	0%	86,113	682	0%
Nordic curr. (SEK, NOK, DKK)		75,456	14%		23,447	13%
Other (GBP, AUD, CAD & Other)		102,650	19%		34,500	19%
Total		531,127	100%		180,289	100%
COGS and OPEX						
USD	227,415	227,415	50%	82,122	82,122	53%
EUR	67,694	81,003	18%	21,960	25,892	17%
ISK	5,381,268	42,718	9%	1,720,822	13,633	9%
Nordic curr. (SEK, NOK, DKK)		68,134	15%		21,204	14%
Other (GBP, MXN, CAD & Other)		40,488	9%		12,741	8%
Total		459,759	100%		155,593	100%

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

Notes to the Consolidated Financial Statements

5. 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	50	5,383	2,924	3,204	11,561
Business Combinations	771	1,212	266	4	2,253
Eliminated on disposal	0	(89)	(340)	(261)	(690)
Exchange rate differences	(305)	(1,995)	(3,873)	(1,027)	(7,200)
Fully depreciated assets	0	(538)	(656)	(51)	(1,245)
At 30 September 2022	2,179	76,452	45,670	17,755	142,056
Depreciation					
At 1 January	412	44,326	25,360	11,930	82,028
Charge for the period	172	6,847	3,975	2,236	13,230
Eliminated on disposal	0	(58)	(251)	(229)	(538)
Exchange rate differences	(170)	(1,078)	(1,909)	(665)	(3,822)
Fully depreciated assets	0	(538)	(656)	(51)	(1,245)
At 30 September 2022	414	49,499	26,519	13,221	89,653
At 30 September 2022	1,765	26,953	19,151	4,534	52,403
Depreciation classified by functional category:					
	9M 2022	9M 2021	Q3 2022	Q3 2021	
Cost of goods sold	6,701	6,446	2,281	2,118	
Sales and marketing expenses	3,621	3,539	1,227	1,241	
Research and development expenses	574	654	173	196	
General and administrative expenses	2,334	3,046	663	977	
Total	13,230	13,685	4,344	4,532	

Notes to the Consolidated Financial Statements

6. Leases

Right of use assets

2022	Buildings & sites	Machinery & equipment	Total
At 1 January	123,992	2,739	126,731
Additions and renewals	8,363	1,754	10,117
Depreciation charge for the period	(14,491)	(1,398)	(15,889)
Eliminated on disposal	(324)	0	(324)
Exchange rate differences	(7,899)	(423)	(8,322)
At 30 September 2022	109,641	2,672	112,313

Depreciation classified by functional category:	9M 2022	9M 2021	Q3 2022	Q3 2021
Cost of goods sold	6,513	6,174	2,147	2,052
Sales and marketing expenses	3,257	3,087	1,073	1,026
Research and development expenses	1,954	1,852	644	616
General and administrative expenses	4,165	4,565	1,314	1,676
Total	15,889	15,678	5,178	5,370

7. Goodwill

	30.9.2022	31.12.2021
At 1 January	644,153	612,191
Business combinations	67,018	48,456
Exchange rate differences	(36,101)	(16,379)
Impairment	0	(115)
At end of period	675,070	644,153

Notes to the Consolidated Financial Statements

8. 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	109	1,731	69	493	2,402
Additions - internally generated	0	0	0	4,763	4,763
Business Combinations	4,081	4,925	750	11	9,767
Eliminated on disposal	0	0	0	(227)	(227)
Exchange rate differences	(2,916)	(1,766)	(58)	(230)	(4,970)
Fully amortized assets	(300)	0	0	0	(300)
At 30 September 2022	39,252	24,350	2,624	53,649	119,875
Amortization					
At 1 January	25,319	5,986	300	17,999	49,604
Charge for the period	2,669	803	64	4,328	7,864
Eliminated on disposal	0	0	0	(74)	(74)
Exchange rate differences	(1,332)	(195)	(20)	(139)	(1,686)
Fully amortized assets	(300)	0	0	0	(300)
At 30 September 2022	26,356	6,594	344	22,114	55,408
At 30 September 2022	12,896	17,756	2,280	31,535	64,467
Amortization classified by functional category:					
		9M 2022	9M 2021	Q3 2022	Q3 2021
Cost of goods sold		110	89	36	30
Sales and marketing expenses		5,130	4,726	1,861	1,696
Research and development expenses		982	1,092	335	361
General and administrative expenses		1,642	1,588	209	625
Total		7,864	7,495	2,441	2,712

9. Borrowings

Refinancing of loan agreements with USD 131 million outstanding is ongoing and will be finalized before year-end 2022.