

Össur hf.

**Condensed Interim Consolidated
Financial Statements**

31.12.2022

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 31 December 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 718.6 million and the net profit amounted to USD 43.2 million. Össur's Consolidated total assets amounted to USD 1,325.4 million at the end of period, liabilities were USD 689.9 million, and equity was USD 635.5 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 31 December 2022 and operating performance of the period ended 31 December 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 31 December 2022 and confirm them by means of their signatures.

Reykjavík, 31 January 2023

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	2022	2021	Q4 2022	Q4 2021
Net sales	3	718,650	718,669	190,944	187,542
Cost of goods sold		(278,902)	(263,282)	(75,008)	(67,007)
Gross profit		439,748	455,387	115,936	120,535
Other income / (expenses)		(2,296)	1,687	1,252	1,093
Sales and marketing expenses		(266,056)	(253,885)	(68,049)	(67,624)
Research and development expenses		(34,024)	(31,735)	(8,864)	(8,397)
General and administrative expenses		(72,529)	(74,143)	(19,047)	(19,664)
Earnings before interest and tax (EBIT)		64,844	97,311	21,228	25,943
Financial income		1,663	984	296	562
Financial expenses		(12,947)	(12,774)	(3,786)	(3,337)
Net exchange rate difference		2,612	1,119	(1,566)	334
Net financial expenses		(8,672)	(10,671)	(5,056)	(2,441)
Earnings before tax (EBT)		56,172	86,640	16,172	23,502
Income tax		(12,962)	(20,984)	(3,413)	(5,947)
Net profit		43,210	65,656	12,759	17,555
Attributable to:					
Owners of the Company		42,513	63,994	12,904	17,564
Non-controlling interests		697	1,662	(145)	(9)
Net profit		43,210	65,656	12,759	17,555
Earnings per share					
Earnings per share (US cent)		10.3	15.6	3.0	4.2
Diluted earnings per share (US cent)		10.3	15.5	3.0	4.2

Consolidated Statement of Comprehensive Income

All amounts in USD '000	2022	2021	Q4 2022	Q4 2021
Net profit	43,210	65,656	12,759	17,555
Items that may be reclassified subsequently to profit or loss:				
Change in cash flow hedges	(1,431)	(13)	(1,322)	383
Exchange differences on translating foreign operations	(23,968)	(14,098)	15,485	(3,530)
Income tax relating to components of other comprehensive income	(208)	(1,878)	1,368	(656)
Other comprehensive income, net of income tax	(25,607)	(15,989)	15,531	(3,803)
Total comprehensive income	17,603	49,667	28,290	13,752
Attributable to:				
Owners of the Company	16,906	48,005	28,435	13,761
Non-controlling interests	697	1,662	(145)	(9)
Total comprehensive income	17,603	49,667	28,290	13,752

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.12.2022	31.12.2021
Property, plant and equipment	5	54,189	55,349
Right of use assets	6	125,131	126,731
Goodwill	7	680,400	644,153
Other intangible assets	8	62,003	58,836
Investment in associates		13,751	13,647
Other financial assets		3,719	2,924
Deferred tax assets		37,320	27,044
Non-current assets		976,514	928,684
Inventories		132,127	103,985
Accounts receivables		112,372	102,768
Other assets		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	31.12.2022	31.12.2021
Issued capital and share premium	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	277,709	262,190
Lease liabilities	116,376	118,674
Deferred tax liabilities	29,596	29,027
Provisions	5,808	4,629
Deferred income	6,042	6,250
Other financial liabilities	17,314	13,094
Non-current liabilities	452,844	433,864
Borrowings	62,068	46,043
Lease liabilities	24,770	21,244
Accounts payable	28,653	26,720
Income tax payable	11,012	7,350
Provisions	19,325	8,970
Accrued salaries and related expenses	42,005	42,341
Other financial liabilities	18,524	5,151
Other liabilities	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	Q4 2022	Q4 2021
Earnings before interests and tax (EBIT)		64,844	97,311	21,228	25,943
Depreciation and amortization	5, 6, 8	49,365	51,643	12,378	14,670
Change in inventories		(28,620)	(15,783)	(3,128)	(4,261)
Change in receivables		(13,457)	(13,184)	229	7,073
Change in payables		10,942	7,758	10,910	(2,326)
Change in provisions		11,583	(402)	(2,649)	(2,370)
Other operating activities		(2,692)	755	193	373
Cash generated by operations		91,965	128,098	39,161	39,102
Interest received		1,581	880	199	566
Interest paid		(13,112)	(12,150)	(5,876)	(4,055)
Income tax paid		(19,663)	(16,298)	(9,300)	4,245
Net cash generated from operating activities		60,771	100,530	24,184	39,858
Purchase of fixed and intangible assets	5, 8	(25,942)	(26,688)	(7,216)	(8,738)
Acquisition of subsidiaries, net of cash in acquired entities		(41,784)	(33,940)	(897)	4,059
Other investing activities		1,465	1,181	347	1,145
Cash flows to investing activities		(66,261)	(59,447)	(7,766)	(3,534)
Proceeds from long-term borrowings		52,833	1,693	52,286	999
Repayments of long-term borrowings		(65,797)	(17,352)	(59,546)	(6,613)
Changes in revolving credit facility		48,588	(14,038)	2,631	(21,827)
Payments of lease liabilities		(21,264)	(20,046)	(5,392)	(5,223)
Dividends from subsidiaries paid to non-controlling interests		(630)	(1,330)	(629)	72
Purchased treasury shares		(9,941)	0	(724)	0
Cash flows from / (to) financing activities		3,789	(51,073)	(11,374)	(32,592)
Net change in cash		(1,702)	(9,990)	5,044	3,732
Exchange rate effects on cash held in foreign currencies		(6,864)	(7,176)	4,789	(1,961)
Cash at beginning of period		85,197	102,363	66,798	83,426
Cash at end of period		76,631	85,197	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	(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

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the period. New and amended IFRS that are effective for the current year have minor impact on the Company's Financial Statements. The Company has not early applied new and revised IFRS 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 2022. 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 2022.

Notes to the Consolidated Financial Statements

2. Quarterly statements

	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%
Organic sales growth	4%	6%	4%	(1%)	6%
LCY sales growth	7%	9%	6%	2%	10%

3. Net Sales

	2022	2021	Q4 2022	Q4 2021
Specified according to geographical segments:				
Americas	350,749	338,882	95,390	88,215
EMEA	306,013	315,173	80,128	82,372
APAC	61,888	64,614	15,426	16,955
Total	718,650	718,669	190,944	187,542
Specified according to product lines:				
Prosthetics	455,709	452,772	122,449	118,158
Bracing & Supports	262,941	265,897	68,495	69,384
Total	718,650	718,669	190,944	187,542

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	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	Q4 2022	Q4 2021	
Cost of goods sold	8,945	8,571	2,243	2,125	
Sales and marketing expenses	4,866	5,071	1,245	1,532	
Research and development expenses	741	833	166	179	
General and administrative expenses	3,170	4,081	835	1,035	
Total	17,722	18,556	4,489	4,871	

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	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	Q4 2022	Q4 2021
Cost of goods sold	8,471	8,522	1,958	2,348
Sales and marketing expenses	4,235	4,261	979	1,174
Research and development expenses	2,541	2,557	587	705
General and administrative expenses	5,930	5,965	1,764	1,400
Total	21,177	21,305	5,288	5,627

7. Goodwill

	31.12.2022	31.12.2021
At 1 January	644,153	612,191
Business combinations	54,229	48,456
Divestment	0	(115)
Exchange rate differences	(17,982)	(16,379)
At end of period	680,400	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	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	Q4 2022	Q4 2021	
Cost of goods sold	143	118	33	29	
Sales and marketing expenses	6,512	6,632	1,381	1,906	
Research and development expenses	1,365	1,452	383	360	
General and administrative expenses	2,446	3,465	804	1,877	
Total	10,466	11,667	2,601	4,172	