



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 912 014 908
Organisasjonsform: Aksjeselskap
Foretaksnavn: OPFI NORWAY AS
Forretningsadresse: c/o OCH Ortopedi AS
Innspurten 9
0663 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Tòmas Eiriksson
Dato for fastsettelse av årsregnskapet: 22.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 25.07.2024



Resultatregnskap

| Beløp i: NOK | Note | 2022 | 2021 |
|--|------|-----------------|-------------------|
| RESULTATREGNSKAP | | | |
| Kostnader | | | |
| Annen driftskostnad | 2 | 124 822 | 27 450 |
| Sum kostnader | | 124 822 | 27 450 |
| Driftsresultat | | -124 822 | -27 450 |
| Netto finans | | | |
| Annen finanskostnad | | 4 425 | 4 451 |
| Sum finanskostnader | | 4 425 | 4 451 |
| Netto finans | | -4 425 | -4 451 |
| Ordinært resultat før skattekostnad | | -129 247 | -31 901 |
| Skattekostnad på ordinært resultat | 3 | | 2 341 850 |
| Ordinært resultat etter skattekostnad | | -129 247 | -2 373 751 |
| Årsresultat | | -129 247 | -2 373 751 |
| Overføringer og disponeringer | | | |
| Udekket tap | 6 | -129 247 | -2 373 751 |
| Sum overføringer og disponeringer | | -129 247 | -2 373 751 |



Balanse

| Beløp i: NOK | Note | 2022 | 2021 |
|--|------|--------------------|--------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Finansielle anleggsmidler | | | |
| Investering i datterselskap | | 0 | |
| Investering i annet foretak i samme konsern | 4 | 202 255 101 | 201 730 344 |
| Sum finansielle anleggsmidler | | 202 255 101 | 201 730 344 |
| Sum anleggsmidler | | 202 255 101 | 201 730 344 |
| Omløpsmidler | | | |
| Varer | | | |
| Bankinnskudd, kontanter og lignende | | | |
| Sum bankinnskudd, kontanter og lignende | 5 | 25 117 380 | 68 278 |
| Sum omløpsmidler | | 25 117 380 | 68 278 |
| SUM EIENDELER | | 227 372 481 | 201 798 622 |
| BALANSE - EGENKAPITAL OG GJELD | | | |
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Aksjekapital | 6, 7 | 120 000 | 120 000 |
| Overkurs | 6 | 206 438 450 | 206 438 450 |
| Sum innskutt egenkapital | | 206 558 450 | 206 558 450 |
| Opptjent egenkapital | | | |
| Annen egenkapital | 6 | -30 011 779 | -5 268 940 |
| Sum opptjent egenkapital | | -30 011 779 | -5 268 940 |
| Sum egenkapital | | 176 546 671 | 201 289 510 |



Balanse

| Beløp i: NOK | Note | 2022 | 2021 |
|---------------------------------|-------------|--------------------|--------------------|
| Sum langsiktig gjeld | | 0 | 0 |
| Kortsiktig gjeld | | | |
| Annen kortsiktig gjeld | 8 | 50 825 810 | 509 112 |
| Sum kortsiktig gjeld | | 50 825 810 | 509 112 |
| Sum gjeld | | 50 825 810 | 509 112 |
| SUM EGENKAPITAL OG GJELD | | 227 372 481 | 201 798 622 |



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 549060

Enheten

Organisasjonsnummer: 912 014 908
Organisasjonsform: Aksjeselskap
Foretaksnavn: OPFI NORWAY AS
Forretningsadresse: c/o Ausonius Medical AS
Lindeberg næringsvei 20
1067 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av
årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av
årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Tõmas Eiriksson
Dato for fastsettelse av årsregnskapet: 22.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskap er elektronisk innlevert.
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 05.07.2023



Organisasjonsnr: 912 014 908
OPFI NORWAY AS

RESULTATREGNSKAP

| Beløp i: NOK | Note | 2022 | 2021 |
|--|-------------|-----------------|-------------------|
| RESULTATREGNSKAP | | | |
| Kostnader | | | |
| Annen driftskostnad | 2 | 124 822 | 27 450 |
| Sum kostnader | | 124 822 | 27 450 |
| Driftsresultat | | -124 822 | -27 450 |
| Annen finanskostnad | | 4 425 | 4 451 |
| Sum finanskostnader | | 4 425 | 4 451 |
| Netto finans | | -4 425 | -4 451 |
| Ordinært resultat før skattekostnad | | -129 247 | -31 901 |
| Skattekostnad på ordinært resultat | 3 | | 2 341 850 |
| Ordinært resultat etter skattekostnad | | -129 247 | -2 373 751 |
| Årsresultat | | -129 247 | -2 373 751 |
| Overføringer og disponeringer | | | |
| Udekket tap | 6 | -129 247 | -2 373 751 |
| Sum overføringer og disponeringer | | -129 247 | -2 373 751 |



Organisasjonsnr: 912 014 908
OPFI NORWAY AS

BALANSE

| Beløp i: NOK | Note | 2022 | 2021 |
|---|------|--------------------|--------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Finansielle anleggsmidler | | | |
| Investering i datterselskap | | 0 | |
| Investering i annet foretak i samme konsern | 4 | 202 255 101 | 201 730 344 |
| Sum finansielle anleggsmidler | | 202 255 101 | 201 730 344 |
| Sum anleggsmidler | | 202 255 101 | 201 730 344 |
| Omløpsmidler | | | |
| Varer | | | |
| Bankinnskudd, kontanter og lignende | | | |
| Sum bankinnskudd, kontanter og lignende | 5 | 25 117 380 | 68 278 |
| Sum omløpsmidler | | 25 117 380 | 68 278 |
| SUM EIENDELER | | 227 372 481 | 201 798 622 |
| BALANSE - EGENKAPITAL OG GJELD | | | |
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Aksjekapital | 6, 7 | 120 000 | 120 000 |
| Overkurs | 6 | 206 438 450 | 206 438 450 |
| Sum innskutt egenkapital | | 206 558 450 | 206 558 450 |
| Opptjent egenkapital | | | |
| Annen egenkapital | 6 | -30 011 779 | -5 268 940 |
| Sum opptjent egenkapital | | -30 011 779 | -5 268 940 |
| Sum egenkapital | | 176 546 671 | 201 289 510 |
| Sum langsiktig gjeld | | 0 | 0 |
| Kortsiktig gjeld | | | |
| Annen kortsiktig gjeld | 8 | 50 825 810 | 509 112 |
| Sum kortsiktig gjeld | | 50 825 810 | 509 112 |
| Sum gjeld | | 50 825 810 | 509 112 |



SUM EGENKAPITAL OG GJELD

227 372 481

201 798 622



Organisasjonsnr: 912 014 908
OPFI NORWAY AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
7

Antall aksjer og aksjeeiere

| <u>Aksjeklasse</u> | <u>Ant. aksjer</u> | <u>Pålydende</u> | <u>Bokført verdi</u> |
|--------------------|--------------------|------------------|----------------------|
| Ordinary shares | 30000.00 | 4.00 | 120000.00 |

| <u>Aksjeeiere - fritekst</u> | <u>Antall</u> | <u>Eierandel</u> | <u>Aksjeklasse</u> |
|------------------------------|---------------|------------------|--------------------|
| OPFI Holding B.V | 30000.00 | 100.00% | Ordinary shares |

| <u>Sum</u> | <u>Sum antall</u> | <u>Sum eierandel</u> | |
|------------|-------------------|----------------------|--|
| | 30000.00 | 100.00% | |

The entity is part of the consolidated accounts for Össur HF, whose address is: Grjothals 1 - 5 110 Reykjavik lsand The consolidated accounts can be obtained from:
<https://www.ossur.com/global/investor-relations/quarterly-reports-and-presentations>

Note
2

Lønn og ytelser

The entity does not have employees and is not obliged to have an occupational pension according to the Act on occupational pensions

The entity has not paid salary or any other remunerations to the general manger or the board of directors during the year. These are no loans / securities issued to the general manager or board of directors.

Note

Ytelser til revisjon

| <u>Revisjon</u> | <u>Årets</u> | <u>Fjorårets</u> |
|-----------------|--------------|------------------|
| | 89572.00 | 27450.00 |

| <u>Andre tjenester</u> | <u>Årets</u> | <u>Fjorårets</u> |
|------------------------|--------------|------------------|
| | 35250.00 | |

| <u>Sum godtgjørelse til revisor</u> | <u>Årets</u> | <u>Fjorårets</u> |
|-------------------------------------|--------------|------------------|
| | | |



Skatteetaten

Vår dato
24.04.2023

Din/Deres dato
07.03.2023

Saksbehandler
Vibeke Horne

800 80 000
Skatteetaten.no

Din/Deres referanse

Telefon
90518192

Org.nr
974761076

Vår referanse
2023/5143891

Postadresse
Postboks 9200 Grønland
0134 OSLO

ERNST & YOUNG AS
Postboks 1156 Sentrum
0107 OSLO

Att. Lars Helland

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

Vi viser til deres brev av 7. mars 2023 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for følgende selskaper:

| | |
|----------------------------|----------------------------|
| Ausonius Medical AS | org.nr. 976 947 134 |
| Impro AS | org.nr. 974 276 143 |
| OCH Ortopedi AS | org.nr. 936 787 819 |
| OPFI Norway AS | org.nr. 912 014 908 |
| Øssur Nordic AS | org.nr. 980 092 194 |

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn

Impro AS og OCH Ortopedi AS er 100 % eid av Ausonius Medical AS. Ausonius Medical AS og Øssur Nordic AS er 100 % eid av OPFI Norway AS. OPFI Norway AS er 100 % eid av et utenlandsk selskap. Selskapene er en del av et utenlandsk konsern. Selskapene driver med salg av produkter for rehabilitering/habilitering innen ortopedi.

Store deler av selskapenes arbeidsspråk er engelsk. Alle selskapene har utenlandsk styreleder og flere av selskapene har også et utenlandsk styremedlem.

Skattekontorets vurdering

Efter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapenes ultimate eier er utenlandsk og at selskapene er en del av et utenlandsk konsern. Videre er det vektlagt at selskapene driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Vibeke Horne
rådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.



Tærudgata 16, 2004 Lillestrøm
Postboks 134, N-2001 Lillestrøm
www.bdo.no

Independent Auditor's Report

To the Annual Shareholders meeting of Opfi Norway AS

Opinion

We have audited the financial statements of Opfi Norway AS.

The financial statements comprise:

- The balance sheet as at 31 December 2022
- The income statement for 2022
- Statement of cash flows for the year that ended 31 December 2022
- Notes to the financial statements, including a summary of significant accounting policies

In our opinion:

- The financial statements comply with applicable statutory requirements, and
- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors and the Managing Director (management) are responsible for the other information. The other information comprises the Board of Directors' report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on the Board of Directors' report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally



accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>

BDO AS

Yngve Aslaksrud
State Authorised Public Accountant
(This document is signed electronically)

Penneo Dokumentnøkkel: 8XSEA-C8ABY-QEECO-CMSMT-BITQI-Y8E40



PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo"™ - sikker digital signatur.
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Yngve Aslaksrud

Partner

På vegne av: BDO AS

Serienummer: 9578-5999-4-1356873

IP: 188.95.xxx.xxx

2023-06-16 10:38:05 UTC



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OPFI Norway AS

Annual report 2022

Board of directors' report

Annual accounts

- Income statement**
- Balance sheet**
- Cash flow statement**
- Notes**

Auditor's report



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OPFI Norway AS - Board's annual report 2022

OPFI Norway AS is an orthopedics company and through its holdings in subsidiaries specializing in patient care and sale of prosthetics and bracing & supports. OPFI Norway AS is a limited liability company incorporated and domiciled in Norway with its headquarters in Oslo. The Company is wholly owned by Össur hf. and part of Össur hf. Consolidation (Össur Group). Its ultimate controlling party is William Demant Invest A/S.

Analysis of the annual accounts

Net loss for the year 2022 amounted to NOK 0.12 million compared to NOK 2.4 million for the year 2021. The total assets of the Company amounted to NOK 227.4 million, liabilities were NOK 50.8 million, and equity was NOK 176.5 million. The Company hold shares in Ausonius Medical AS and increased its investments by purchasing all shares in Össur Nordic AS during the year. The Board of Directors will propose to the Annual General Meeting in 2023 that OPFI Norway AS pays no cash dividend. For changes in equity refer to the equity note. The Company employed no employees in 2022.

Key risks and uncertainty factors

Össur Group (Össur hf. and its subsidiaries) manages capital to ensure that the Össur Group, including OPFI Norway AS, will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. As of 31 December 2022, the company is not exposed to financial risk in the event of major changes in the interest rate level, as the company has no long-term debt. Consequently, the company is not exposed either nor currency risk.

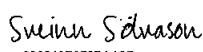
The business has a very limited impact on the external environment. The company has taken out insurance for board and management liability for any compensation liability for damage to a third party's persons property. The insurance covers liability until USD 10,000,000. The insurance applies to board members and the general manager.

Significant events after the balance sheet date

During 2023 the company will merge its subsidiary Ausonius Medical AS as a part of the Össur Group's strategy of reducing the number of legal entities.

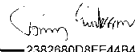
According to our best knowledge, it is our opinion that the Financial Statements give a true and fair view of the financial performance of the Company for the year 2022, its assets, liabilities and financial position as of 31 December 2022. Furthermore, it is our opinion that the financial statements and the report of the Board of Directors contain a clear overview of results in the Company's operations and significant events.

31 December 2022
Oslo, 13 June 2023

DocuSigned by:

290040E270B4107...

Sveinn Logi Sölvason

Chairman of the board

DocuSigned by:

2382680D8FF44B4

Tómas Eiríksson

General Manager/Member of the
board



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OPFI Norway AS

Income statement

| | Note | 2022 | 2021 |
|--------------------------------------|------|-----------------|-------------------|
| Operating expenses | | | |
| Other operating expenses | 2 | <u>124 822</u> | <u>27 450</u> |
| Operating result | | <u>-124 822</u> | <u>-27 450</u> |
| Financial income and expenses | | | |
| Other financial expenses | | <u>4 425</u> | <u>4 451</u> |
| Result before tax | | <u>-129 247</u> | <u>-31 901</u> |
| Tax expense | 3 | <u>0</u> | <u>2 341 850</u> |
| Net loss for the year | | <u>-129 247</u> | <u>-2 373 751</u> |
| Allocated as follows | | | |
| Uncovered losses | 6 | <u>-129 247</u> | <u>-2 373 751</u> |



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OPFI Norway AS

Balance sheet as of December 31

| | Note | 2022 | 2021 |
|--------------------------------------|------|--------------------|--------------------|
| Fixed assets | | | |
| <i>Financial assets</i> | | | |
| Investments in other group companies | 4 | <u>202 255 101</u> | <u>201 730 344</u> |
| Total financial assets | | <u>202 255 101</u> | <u>201 730 344</u> |
| Total fixed assets | | <u>202 255 101</u> | <u>201 730 344</u> |
| Current assets | | | |
| Cash and cash equivalents | 5 | <u>25 117 380</u> | <u>68 278</u> |
| Total current assets | | <u>25 117 380</u> | <u>68 278</u> |
| Total assets | | <u>227 372 481</u> | <u>201 798 622</u> |



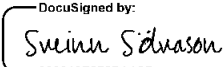
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OPFI Norway AS

Balance sheet as of December 31

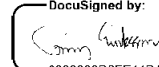
| | Note | 2022 | 2021 |
|------------------------------|------|--------------------|--------------------|
| Equity | | | |
| <i>Paid-in capital</i> | | | |
| Share capital | 6, 7 | 120 000 | 120 000 |
| Share premium reserve | 6 | 206 438 450 | 206 438 450 |
| Total paid-in capital | | <u>206 558 450</u> | <u>206 558 450</u> |
| <i>Retained earnings</i> | | | |
| Other equity | 6 | <u>-30 011 779</u> | <u>-5 268 940</u> |
| Total retained earnings | | <u>-30 011 779</u> | <u>-5 268 940</u> |
| Total equity | | <u>176 546 671</u> | <u>201 289 510</u> |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Other short-term liabilities | 8 | <u>50 825 810</u> | <u>509 112</u> |
| Total current liabilities | | <u>50 825 810</u> | <u>509 112</u> |
| Total liabilities | | <u>50 825 810</u> | <u>509 112</u> |
| Total equity and liabilities | | <u>227 372 481</u> | <u>201 798 622</u> |

31 December 2022
Oslo, 13 June 2023

DocuSigned by:

286640E270BA4C7...

Sveinn Logi Sölvason

Chairman of the board

DocuSigned by:

2382680D8FE44B4...

Tómas Eiríksson

General Manager/Member of the
board



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OPFI Norway AS

Cash flow statement 01.01-31.12

| | Note | 2022 | 2021 |
|--|------|-------------------|----------------|
| Cash flow from operating activities | | | |
| Result before tax | | -129 247 | -31 901 |
| Changes in accounts payable | | 0 | -157 520 |
| Changes in other current balance sheet items | 8 | 70 000 | 110 000 |
| Net cash flow from operating activities | | <u>-59 247</u> | <u>-79 421</u> |
| Cash flow from investing activities | | | |
| Net cash flow from investing activities | | <u>0</u> | <u>0</u> |
| Cash flow from financing activities | | | |
| Capital increase - prepayment | 8 | 25 108 349 | 0 |
| Net cash flow from financing activities | | <u>25 108 349</u> | <u>0</u> |
| Net change in cash and cash equivalents | | 25 049 102 | -79 421 |
| Cash and cash equivalents as of 01.01 | | <u>68 278</u> | <u>147 699</u> |
| Cash and cash equivalents as of 31.12 | | <u>25 117 380</u> | <u>68 278</u> |



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OPFI Norway AS

Notes to the accounts for 2022

Note - 1 Accounting Principles

The annual report has been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

The company is the parent company in the group. In accordance with §3-7 of the Accounting Act, group accounts are therefore not prepared. The company is included in the consolidated accounts of group head Össur HF, which has its office in Iceland.

Sales Revenue

Revenues from the sale of goods are recognized in the income statement once delivery has taken place and most of the risk and return has been transferred.

Revenues from the sale of services and long-term manufacturing projects are recognized in the income statement according to the project's level of completion provided the outcome of the transaction can be estimated reliably. Progress is measured as the number of hours spent compared to the total number of hours estimated. When the outcome of the transaction cannot be estimated reliably, only revenues equal to the project costs that have been incurred will be recognized as revenue. The total estimated loss on a contract will be recognized in the income statement during the period when it is identified that a project will generate a loss.

Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognized at nominal value.

Subsidiaries and investment in associates

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. If dividends / group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.



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OPFI Norway AS

Notes to the accounts for 2022

Foreign currency translation

Foreign currency transactions are booked using the exchange rates at the time of transactions. Monetary asset and liability balances are translated using the year end exchange rate.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Note 2 - Payroll expenses, number of employees, loans to employees and auditor's fee

The entity does not have employees and is not obliged to have an occupational pension according to the Act on occupational pensions

Management remuneration

The entity has not paid salary or any other remunerations to the general manger or the board of directors during the year. These are no loans / securities issued to the general manager or board of directors.

| <i>Auditor fee has been divided as follows</i> | 2022 | 2021 |
|--|-------------|-------------|
| Statutory audit fee | 89 572 | 27 450 |
| Tax advisory fee | 35 250 | 0 |

VAT is not included in the auditor fees.



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OPFI Norway AS

Notes to the accounts for 2022

Note 3 - Income taxes

| <i>Income tax expenses</i> | 2022 | 2021 |
|---|-------------|-------------|
| Change in deferred tax | 0 | 2 341 851 |
| Total income tax expense | 0 | 2 341 851 |
| <i>Tax base estimation</i> | 2022 | 2021 |
| Result before tax | -129 247 | -31 901 |
| General income | -129 247 | -31 901 |
| Loss carried forward | 129 247 | 31 901 |
| Tax base | 0 | 0 |
| <i>Temporary differences outlined</i> | 2022 | 2021 |
| Accumulated loss carried forward | -10 805 927 | -10 676 680 |
| Net temporary differences | -10 805 927 | -10 676 680 |
| Deferred income tax asset (22%) | -2 377 304 | -2 348 870 |
| Deferred income tax asset not recognized | 2 377 304 | 2 348 870 |
| <i>Effective tax rate</i> | 2022 | |
| Expected income taxes, statutory tax rate 22% | -28 434 | |
| Change in deferred tax asset not recognized | 28 434 | |

Note 4 - Investment in subsidiaries and associate

| Company | Location | Share owners | Net profit 2022 | Equity 31.12 | Book value 31.12 |
|---------------------|----------|--------------|-----------------|--------------|------------------|
| Ausonius Medical AS | Oslo | 100 % | 0 | 153 474 536 | 201 730 344 |
| Össur Nordic AS | Oslo | 100 % | 2 097 101 | 11 033 486 | 524 757 |
| Total | | | 2 097 101 | 164 508 022 | 202 255 101 |

Note 5 - Bank deposit

There is no restricted cash for employee withholding taxes as of 31.12. since the entity does not have employees and has not paid salary during 2022.



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OPFI Norway AS

Notes to the accounts for 2022

Note 6 - Equity

| | Share capital | Share premium | Other Equity | Total |
|------------------------|---------------|---------------|--------------|-------------|
| Equity 01.01. | 120 000 | 206 438 450 | -5 268 940 | 201 289 510 |
| Continuity difference* | 0 | 0 | -24 613 592 | -24 613 592 |
| Net loss for the year | 0 | 0 | -129 247 | -129 247 |
| Equity 31.12. | 120 000 | 206 438 450 | -30 011 779 | 176 546 671 |

*OPFI Norway AS has purchased the shares of Össur Nordic AS from the group company Össur Nordic AB in 2022. The accounting treatment is based on the continuity principle, where the difference (NOK 24 613 592) between the consideration paid of NOK 25 138 349 and the transferred book value (at continuity) of NOK 524 757 is booked to equity.

Note 7 - Share capital and shareholder information

Share capital:

| | Number of shares | Face value | Book value |
|-----------------|------------------|------------|------------|
| Ordinary shares | 30 000 | 4 | 120 000 |

Shareholders per 31.12.:

| | Ordinary shares | Ownership share | Voting rights |
|------------------|-----------------|-----------------|---------------|
| OPFI Holding B.V | 30 000 | 100 % | 100 % |

The entity is part of the consolidated accounts for Össur HF, whose address is:

Grjothals 1 - 5
110 Reykjavik
Island

The consolidated accounts can be obtained from:

<https://www.ossur.com/global/investor-relations/quarterly-reports-and-presentations>

Note 8 - Intercompany balance with group and associated companies

| Payables | 2022 | 2021 |
|---------------------------|------------|---------|
| Other short-term payables | 50 825 810 | 509 112 |

The significant increase in intercompany payable in 2022 is mainly relating to the purchase of shares in Össur Nordic AS from Össur Nordic AB (NOK 25 138 349) as well as a prepayment (NOK 25 108 349) in relation to a capital increase to be completed in 2023.



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OPFI Norway AS

Notes to the accounts for 2022

Note 9 - Subsequent events

During 2023 the company will merge its subsidiary Ausonius Medical AS as a part of the Össur Group's strategy of reducing the number of legal entities.



Össur hf.

Consolidated Financial Statements

31.12.2022

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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 uncollectable 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.

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.

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.



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
State Authorized Public Accountant

Ljósbrá Baldursdóttir
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) |
| Exchange differences on translating foreign operations | | (23,968) |
| Income tax relating to components of other comprehensive income | | (208) |
| 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 liabilities | 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 | | | | 2,268 | | | 0 | 0 | (1,330) | (1,330) |
| Share option charge for the period | 1 | 699 | | (682) | | | (1,217) | (1,199) | | 2,268 |
| Share option vested during the period | | | | | | | | | | (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 | (938) | | (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 Grjóthals 5, Reykjavík. 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

| | Full year 2022 | Unaudited | | | |
|-------------------------------------|-------------------|----------------|----------------|----------------|----------------|
| | | 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

| Board of Directors: | Salaries | | Shares owned ⁽ⁱⁱ⁾ | |
|---|----------|------|------------------------------|-------------|
| | 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

| | Buildings & sites | Machinery & equipment | Total |
|---|-------------------|-----------------------|----------------|
| 2022 | | | |
| 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.

| | Buildings & sites | Machinery & equipment | Total |
|------------------------------------|-------------------|-----------------------|----------------|
| 2021 | | | |
| 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 | | | | |
|----------------------------------|----------------------------------|---------------------------|-------------------------------------|----------------------|---------------------|
| | Gross carrying amount at default | Expected credit loss rate | Collective allowance (lifetime ECL) | Individual allowance | Net carrying amount |
| Accounts receivable | | | | | |
| 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 | | | | |
|----------------------------------|----------------------------------|---------------------------|-------------------------------------|----------------------|---------------------|
| | Gross carrying amount at default | Expected credit loss rate | Collective allowance (lifetime ECL) | Individual allowance | Net carrying amount |
| Accounts receivable | | | | | |
| 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 equivalent 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 |
| Total | 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 | | | |
| 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

| | Warranty provisions | Other provisions | Total |
|---------------------------------|---------------------|------------------|---------------|
| 2022 | | | |
| 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 |

| | Warranty provisions | Other provisions | Total |
|---|---------------------|------------------|---------------|
| 2021 | | | |
| 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:

| | 2022 | 2021 |
|--|-------|-------|
| Associates | | |
| Sales of products | 2,104 | 2,093 |
| Related party receivables at 31 December | 345 | 376 |
| Other related parties | | |
| 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 | | Total | Fair value changes of net identifiable assets | | Total fair value |
|--|--------------------------------|--------------|--------------|---|---------------|------------------|
| | Americas | EMEA | | | | |
| 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 | | Total | Fair value changes of net identifiable assets | Total fair value |
|--|--------------------------------|---------|---------|---|---------------------|
| | Americas | EMEA | | | |
| 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-indefinite |
| 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 a 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.