



Annual Report

2020





INDEX

The Big Picture

2020 in brief	4
Letter from the CEO	10
Össur at a glance	12

Financial Performance

Five-year overview	16
Performance in 2020	17
Outlook for 2021	22

Our Business

Markets	24
Business model	29
Innovation	34
Strategy	36
People	38
Risk management	41


Corporate Matters

Shareholder information	44
Corporate governance	49
CSR	54
Board of directors	63
Executive management	66

Consolidated financial statements

.....	70
-------	----

2020 in brief



Our shared passion for improving people's mobility will ensure continued success as we embark on what will be Össur's 50th anniversary year. A year where we can celebrate past achievements and make ambitious plans for the future.

FINANCIAL HIGHLIGHTS



10%

Organic decline



15%

EBITDA margin



19%

Cash generated
by operations



4.1x

NIBD/EBITDA

SUSTAINABILITY AND CSR HIGHLIGHTS



65%

Waste
recycled



54% | 46%

Gender
ratio

Male | Female



36%

Female
Management

Female in management
positions



0.7

Incident Rate

Incident rate per 100 FTEs



4.4 of 5

Global Employee
Satisfaction

Americas

49%

as % of sales

USD 307 million

Organic growth: -14%

FTEs: ~1,300

EMEA

42%

as % of sales

USD 267 million

Organic growth: -9%

FTEs: ~1,500

APAC

9%

as % of sales

USD 55 million

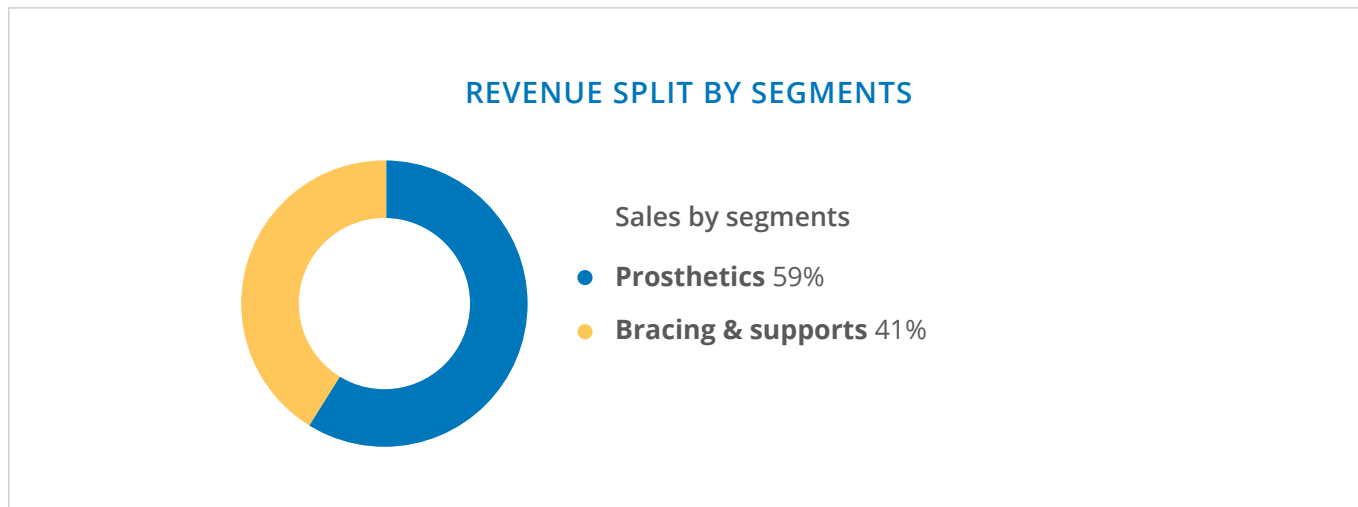
Organic growth: +2%

FTEs: ~200

HQ FTEs: ~500



Sales by segments



Business segments

Prosthetics sales in 2020 amounted to USD 372 million and declined by 7% organic. Sales of bionic products accounted for 20% of prosthetics component sales in 2020. Bracing and supports (B&S) sales in 2020 amounted to USD 257 million and declined by 15% organic.

In Americas and key European markets, sales have gradually recovered from a low point in April. Average sales during the year compared to the same period last year were as follows: January and February 2020 were around 100% of last year's sales, March 80-90%, April 60-70%, May 70-80%, June 80-90%, and through the remainder of the year between 90-100%.

The COVID-19 pandemic has impacted prosthetics and B&S differently. Throughout the COVID-19 pandemic prosthetics sales have been more resilient than B&S. The demand for prosthetic solutions is, for the markets that Össur generates the majority of sales, mostly driven by servicing the existing amputee population with maintenance, renewals, and upgrades of their prosthesis. Sale of mechanical prosthetic products is stable in 2020 compared to 2019, while bionics, which require more time for fitting and training have declined in sales more than the average for prosthetics. It is expected that there will be some pent-up demand in prosthetics for both mechanical and bionic products. The demand for B&S products is largely driven by injuries, surgeries, and prevalence of osteoarthritis (OA). The COVID-19 pandemic and the associated lockdowns have had a significant impact on amateur sports and activity levels that have resulted in fewer injuries. Recent data from hospital systems in Europe show double-digit declines for various types of injuries to joints and ligaments. It is not expected that there will be pent-up demand for injury solutions. COVID-19 has impacted volumes of elective surgeries such as knee replacement surgeries, that drive demand for post-operative bracing solutions. OA bracing sales have also been impacted, primarily due to limitations to physician access. Some pent-up demand is expected for post-op and OA bracing.

Year in review

A historic year on many fronts, Össur had many memorable moments in 2020. At the forefront was the close partnership and commitment we enjoy with our customers and end-users around the world.



January

Team Össur member Stefanie Reid speaks at TEDx London Women – ‘Why accessible design is for everyone’

RHEO KNEE® XC wins the 2019 GOOD DESIGN Award

Össur Ambassador Hunter Woodhall on The Ellen Show



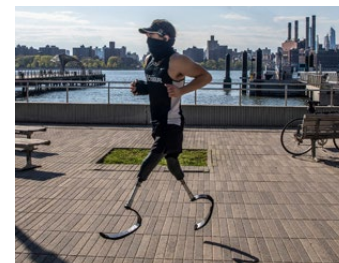
March

IPC President Andrew Parsons visits Össur Head Office

Össur Ambassador Hilmar Snær Örvarsson wins alpine skiing European Cup

Össur Ambassador Hunter Woodhall interviewed by ESPN

i-Limb® on Swiss TV



May

Össur Ambassador Rudy Garcia-Tolson featured in NY Times article

OT Magazine interview with Össur CEO, Jon Sigurdsson

Össur in How Stuff Works – How Prosthetic Limbs Work.

Unloader One® X ft. in Physical Therapy Products magazine and Rehab Management

Össur article in Jyllands-Posten



February

Team Össur athletes featured in Nike's 2020 team uniform unveiling

New Rebound® ACL, Balance™ Foot S / Balance™ Foot S Torsion and Unloader One® X Custom fully launched

Interview with Hugh Gill in O&P Almanac's feature on upper limb prosthetics



April

Össur donates work and components to the Icelandic health authorities by custom manufacturing few Mobile Patient Isolation Units which are used to transport infected patients during Covid-19

Össur Mexico recognized as „one of the best places to work for“ during Covid-19

Össur acquires Scanning and Design Technology from Standard Cyborg



June

Össur Ambassador Mike Coats featured as Ralph Lauren's first amputee model in their “The Beach House” collection

Össur and Nike sign new agreement regarding the co-development of the next generation of Nike Soles for the new sports feet, Cheetah® Xceed™, Cheetah® Xcel™ & Cheetah® Xpanse™

Össur acquisition of College Park Industries completed



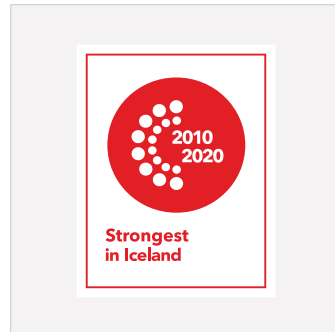
August

Team Össur members featured in Rising Phoenix, a ground-breaking movie about the Paralympic Movement, premiered in over 190 countries worldwide on Netflix

Össur Ambassador Andrea Lanfri and his friend Massimo Coda on the summit of Mont Blanc

American actor David Duchovny lends his pool to Paralympic swimmer and Össur Ambassador Rudy Garcia-Tolson to train during COVID-19 shutdowns

Össur named one of the top 10 orthopedic device firms by ODT Magazine



October

Össur recognized as one of the financially Strongest Companies in Iceland, for the eleventh consecutive year in a row

KUSI's Good Morning San Diego: Challenged Athlete Foundation (CAF) surprises five amputees in five days with life-changing Össur running prosthetics

Össur Ambassador Andrea Lanfri from Italy reached the top of the volcano Etna



December

Össur Cheetah blades featured in Triathlete article

Össur featured in Dutch How it's Done TV Program

Össur named a Top Workplace of 2020 by The Orange County Register

Össur completed the divestment of entities focused on B&S sales in the US



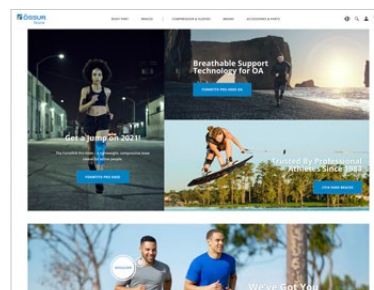
July

Team Össur member Femita Ayanbeku ft. in Runner's World

Össur CEO Jon Sigurdsson interview in Newsweek, in a special country report on Iceland

Team Össur member Daniel Wagner ft. in The Danish National Broadcaster article

Össur's Dr. Anton Johannesson honored by AOPA with Thranhardt Award

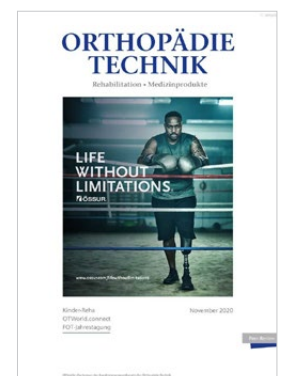


September

Össur's new e-commerce store for bracing launched in the US

Össur announces establishment of Össur Japan

Össur completes divestment of Gibaud SAS in France



November

Össur Ambassador Sandro Borges featured on the cover of the November edition of OT magazine

Team Össur member Markus Rehm who has been named Germany's Paraathlete of the Decade

Letter from the CEO



The year 2020 will be remembered as no other. A year when words such as unprecedented, self-isolation and social distancing were spoken daily, and the world was impacted in ways that were unimaginable only a year ago.

Our focus throughout the year has been to ensure business continuity and the safety of our employees and customers. Our manufacturing and distribution employees, as well as the front-line employees in our clinics, have done an incredible job of keeping up service levels on site while office-based employees picked up and moved their desks to makeshift home offices. We were all required to think and act in new ways with our IT infrastructure proving solid, and digital solutions used to their utmost for service, collaboration, and training purposes.

While sales were negatively impacted as social distancing and lockdown measures were implemented in all our major markets, we saw a gradual recovery towards the latter part of the year. Our cost reduction initiatives enabled us to maintain a strong operating profit considering the impact on sales, which underlines that profitability will return to normalized levels as sales continue to recover. We remain confident that there will be no long-term change in the demand for our products and services.

We were able to overcome numerous challenges during the year and are proud of the new products we brought to market which include the Balance™ Foot S and Connect™ TF Socket, both ideal for the low active population as well as the CTi® Mission ligament knee brace. Product development continues strong and we are excited about our healthy product pipeline. We were also pleased to close the acquisition of College Park Industries as well as the divestment of both Gibaud and entities focused on B&S sales in the US.

Our employees are our most valuable asset, and we were proud to yet again be voted one of Orange County's Best Workplaces and our annual Workplace Survey confirmed a high employee satisfaction score once again. Certainly not something we take for granted, particularly during such challenging circumstances. We know the added personal and professional pressures have taken their toll this year and couldn't be prouder of the strength and resilience our team has shown.

My sincere thanks to our employees, customers, end-users, and shareholders for their partnership and support during this unprecedented year. Our shared passion for improving people's mobility will ensure continued success as we embark on what will be Össur's 50th anniversary year. A year where we can celebrate past achievements and make ambitious plans for the future. I'm proud to say that our 50th anniversary year will also be marked by our commitment to sustainable development. Össur will be carbon neutral in 2021. Not a small endeavour and one of hopefully many more milestones that we can celebrate during the year. It's time for a new chapter and the future is bright.

A handwritten signature in black ink, appearing to read 'Jon Sigurdsson'.

Jon Sigurdsson
President and CEO

USER STORIES

Sandro Borges

Football (soccer) is the most popular sport in Portugal and the most practiced. With the national team often amongst the higher-rated teams in both Europe and the world, Portuguese children dream of joining the ranks of professional football. With equal parts hard work and natural talent, Sandro Borges would have an opportunity to live his dream and play professionally for his beloved Portugal. Unfortunately, a car accident at age 21 cut this dream short.

His injuries were serious and potentially life threatening. His left leg, damaged beyond repair, required immediate amputation.

"The first reaction was a state of shock...the consequences of what had just happened, knowing that I would never more able to run, walk, go out at night with my friends or pick up my son from school, had a significant impact and shook my confidence in myself."

Despite his shock and sadness, Sandro promised himself that no matter how difficult, he would recover. He received his first prosthetic shortly after his surgery and began an aggressive rehabilitation effort.

"Above all, I wanted to get my life back and make up for lost time. So, I went back to the gym as often as possible and I concentrated all my efforts on recovery. I wanted to do better every time."

Today, Sandro is a boxing trainer who uses Pro-Flex XC Torsion because, as he says, "it helps me move the way I want to move." He continues to push himself in the ring and is an outspoken proponent of physical fitness, sport activities and a life without limitations.

"I lead a perfectly normal life, both personally and professionally. Life has given me the opportunity to try boxing after being a professional football player and I grabbed it, without doubts or hesitations."



Össur at a glance

We improve people's mobility

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

Össur was founded in 1971 and has since grown through a healthy combination of organic development and acquisitions in both prosthetics and bracing & supports. Today, Össur has a strong global position in the industry and key markets and in a good position to leverage future growth opportunities. Össur has been listed since 1999, has operations in over 27 countries and more than 3,500 FTEs.



Our users are at the core of everything we do

Individuals can be living with limb loss or limb difference for a variety of reasons. Vascular disease, diabetes, trauma, and congenital defects are some of the more common reasons. There are also individuals who develop knee pain, are diagnosed with osteoarthritis in their joints, incur fractures to their ligaments or injure themselves resulting in movement impairment. For years Össur has helped these individuals focus on new goals rather than limitations by offering comprehensive solutions that are designed with the needs of the user top of mind.

World class innovation capabilities

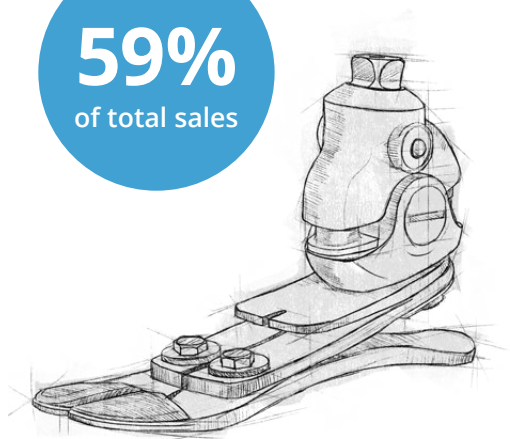
Össur is a pioneer of advanced technology where our brand recognition is based on innovative and scientifically proven solutions that deliver effective clinical outcomes. By listening to and understanding people's needs and pushing the boundaries of technology, we continue to create some of the best products and services available in the fields of prosthetics and bracing & supports. Every year Össur invests the equivalent of 5% of sales in R&D efforts to work on new innovative products for the benefit of our users. In 2020 we introduced more than 20 new products to the market.

Our segments

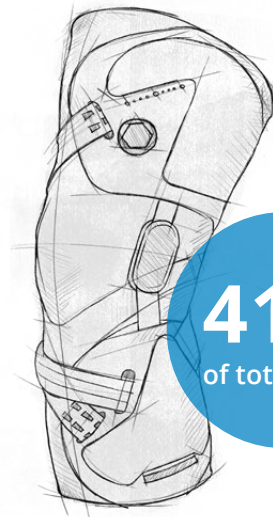
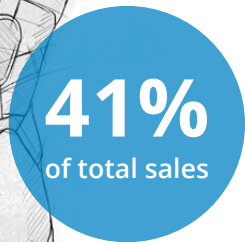
Össur operates within two market segments of the orthopaedic market: bracing & supports and prosthetics. Prosthetic products include artificial limbs and related products for amputees. Bracing & supports products are primarily used to support joints and other body parts, both for preventive and therapeutic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

OUR SEGMENTS

Prosthetics



Bracing & Supports



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

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

Our products



Prosthetic solutions

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

Bracing & supports

OA solutions

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

Injury Solutions

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



Who are the users that benefit from our solutions?

Prosthetic Solutions

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

Bracing & Supports

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

Five-year overview

FIVE-YEAR OVERVIEW					
USD m	2020	2019	2018	2017	2016
Net sales	630	686	613	569	521
Gross profit	391	439	387	355	328
Operating expenses (excl. other income)	338	341	304	280	256
EBITDA	93	141	107	97	94
EBITDA before special items	93	150	115	103	98
EBIT	28	98	79	75	72
Net profit / (loss)	8	69	80	58	51
Sales growth					
Sales growth USD %	(8)	12	8	9	8
- Organic growth %	(10)	5	5	5	4
- Currency effect %	0	(4)	1	0	(1)
- Acquired/divested business %	2	11	2	4	5
Balance Sheet					
Total assets	1,214	1,091	914	793	746
Equity	577	569	538	500	467
Net interest-bearing debt (NIBD)	381	302	180	121	119
Cash Flow					
Cash generated by operations	119	120	92	90	88
Free cash flow	68	63	39	55	42
Key ratios					
Gross profit margin %	62	64	63	62	63
EBIT margin %	4	14	13	13	14
EBITDA margin %	15	21	18	17	18
EBITDA margin before special items %	15	22	19	18	19
Equity ratio %	48	52	59	63	63
NIBD to EBITDA	4.1	2.0	1.6	1.2	1.2
Effective tax rate %	38	24	18	16	25
Return on equity %	1	12	15	12	11
CAPEX to net sales %	3.8	4.6	5.0	3.4	4.7
Full time employees on average	3,505	3,382	2,775	2,948	2,710
Market					
Market value of equity	3,380	3,340	2,055	1,871	1,582
Number of shares in Millions	423	425	431	437	443
Diluted EPS in US cents	1.9	16.2	18.7	13.3	11.6

Performance in 2020

Financial performance in FY 2020 impacted by the COVID-19 pandemic and M&A activity

- Sales declined by 8% in local currency in 2020 and by 10% organic. Sales were impacted by measures to control the COVID-19 pandemic but gradually recovered during the year.
- The prosthetics segment declined by 7% organic in 2020 and the B&S segment declined by 15%.
- Gross profit margin for 2020 was 62% compared to 64% for 2019.
- EBITDA margin for 2020 was 15% compared to an EBITDA margin before special items of 22% for 2019. In addition to the impact of COVID-19, EBITDA was impacted by extraordinary items related to acquisitions, divestments, litigation, severance, and government grants.
- In 2017, Össur announced efficiency initiatives in the areas of Manufacturing, Distribution, and Sourcing. The savings target of USD 10 million in 2020 was reached, corresponding to USD 4 million in additional savings when compared to the previous year.
- Net profit for 2020 amounted to USD 8 million and 1% of sales as it was impacted by extraordinary items related to divestments, acquisitions, litigation, severance, and government grants in addition to COVID-19.
- Cash flow was strong in 2020, mainly due to inventory management efforts and lower capital expenditure. Cash generated by operations amounted to USD 118 million or 19% of sales in 2020 compared to USD 120 million or 17% of sales in 2019.
- Össur's liquidity position remains strong. Bank balances and cash equivalents in addition to undrawn facilities at the end of 2020 amounted to USD 275 million. NIBD/EBITDA was 4.1x at end of 2020 primarily due to temporarily lower EBITDA in 2020. The current NIBD/EBITDA is above the target ratio of 1.5x-2.5x.
- Össur purchased 1,295,450 of own shares during the year for USD 9 million. It should be noted that the share buyback program was temporarily put on-hold on 17 March 2020 due to the impact of COVID-19, as the net interest-bearing debt to EBITDA ratio is temporarily above the level in the Capital Structure and Dividend policy.
- In 2020, Össur paid out cash dividends in the amount of USD 9 million, corresponding to DKK 0.15 per share or 13% of net profit in 2019.
- Össur completed several acquisitions in 2020, including the prosthetics manufacturer College Park Industries, with combined annual sales of USD 59 million (incl. an acquisition in the first week of January 2021).
- Össur completed the divestment of Gibaud in France and entities focused on B&S sales in the US in 2020. The sold entities generated a total of USD 71 million of sales.
- The financial guidance for the full year 2021 is 10-15% organic sales growth, 21-23% EBITDA margin before special items, 3-4% CAPEX of sales, and an effective tax rate of 23-24%.

KEY FINANCIALS AND GUIDANCE			
USD million	2020	2019	Guidance 2021
Net sales	630	686	
Sales growth, organic	(10%)	5%	10-15%
Gross profit margin	62%	64%	
EBITDA	93	141	
EBITDA margin	15%	21%	
EBITDA before special items	93	150	
EBITDA margin before special items	15%	22%	21-23%
CAPEX as % of sales	4%	5%	3-4%
Effective tax rate	38%	24%	23-24%

Sales performance

Sales in 2020 amounted to USD 630 million compared to USD 686 million in 2019, corresponding to 10% decline organic, 8% decline including acquisitions/divestments (local currency growth) and 8% decline reported (USD growth).

Currency movements in 2020 impacted sales growth negatively by USD 1 million, with a neutral effect on the reported growth rate.

Össur completed acquisitions and divestments in 2020. Further information can be found in the section "Acquisitions and divestments".

SALES BY REGIONS					
USD million	FY 2020	Organic growth*	Acq. / div.	Curr. effect	USD growth*
Americas	307	(14%)	+8%	0%	(6%)
EMEA	267	(9%)	-4%	0%	(12%)
APAC	55	2%	-	-1%	1%
Total	630	(10%)	+2%	0%	(8%)

* growth/(decline)

SALES BY SEGMENTS					
USD million	FY 2020	Organic growth*	Acq. / div.	Curr. effect	USD growth*
Prosthetics	372	(7%)	+6%	0%	(1%)
Bracing and supports	257	(15%)	-2%	0%	(16%)
Total	630	(10%)	+2%	0%	(8%)

* growth/(decline)

Operations

Gross profit for 2020 amounted to USD 391 million or 62% of sales compared to USD 439 million or 64% of sales for 2019. During a large part of 2020, manufacturing capacity was reduced due to lower sales in relation to COVID-19, which resulted in a lower gross profit margin. Utilization of manufacturing capacity has been increasing in line with sales recovery.

Operating expenses amounted to USD 363 million or 58% of sales for 2020 compared to USD 341 million or 50% of sales for 2019. Excluding extraordinary items related to acquisitions, divestments, litigation, severance, and government grants, OPEX would have amounted to net USD 334 million or 53% of sales and declined by 2% compared to OPEX excluding special items in 2019. Lower variable cost is a result of less traveling, lower marketing and selling costs, the efficiency initiatives which were announced in 2017, and cost-saving efforts implemented in September 2020.

- Sales & marketing (S&M) expenses declined by 2% and amounted to 36% of sales compared to 34% of sales in 2019.
- Research & development (R&D) expenses declined by 1% and amounted to 5% of sales, the same as in 2019.
- General & administrative (G&A) expenses increased by 2% and amounted to 12% of sales compared to 11% of sales in 2019. Excluding extraordinary items, G&A expenses would have declined.

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

Efficiency initiatives

In September 2017, Össur announced efficiency initiatives in the areas of distribution, manufacturing, and sourcing, to further increase scalability and profitability. The savings target of USD 10 million in 2020 was reached, corresponding to USD 4 million in additional savings when compared to the previous year.

Operating profit

EBITDA in 2020 amounted to USD 93 million or 15% of sales compared to EBITDA before special items of USD 150 million or 22% of sales in 2019. Currency impact on EBITDA margin net of hedge was positive by about 60 basis points for 2020. It should be noted that the EBITDA in 2020 was impacted by extraordinary items in the amount of net USD 11 million.

Financial items, income tax and net profit

Net financial expenses for 2020 amounted to USD 16 million, compared to USD 7 million in 2019.

Income tax amounted to USD 5 million in 2020, corresponding to a 38% effective tax rate. The tax rate is impacted by non-deductible expenses for tax in relation to the divestments. Excluding the impact from these items, the effective tax rate would have amounted to 25% in 2020, compared to 24% in 2019. It should however be noted that the tax rate is further impacted due to the impact that COVID-19 is having on Össur's operating results. All else equal, as sales and profit return to normalized levels, the effective tax rate is expected to return to levels comparable with 2019.

Net profit in 2020 amounted to USD 8 million compared to USD 69 million profit in 2019. Diluted earnings per share in 2020 amounted to 1.9 US cents compared to 16.2 US cents in 2019. Net profit was impacted by extraordinary items related to divestments, acquisitions, litigation, severance, and government grants, in addition to COVID-19.

Cash flow

Cash flow was strong in 2020 with a primary focus on inventory management and lower capital expenditures. Cash generated by operations amounted to USD 119 million or 19% of sales for 2020 compared to USD 120 million or 17% of sales for 2019.

Capital expenditures for 2020 amounted to USD 24 million or 4% of sales, compared to USD 32 million or 5% of sales for 2019.

Bank balances and cash equivalents amounted to USD 102 million at the end of 2020 and USD 173 million of existing facilities are undrawn. Bank balances and cash equivalents in addition to undrawn credit facilities at the end of 2020, therefore, amounted to USD 275 million.

Capital structure

Net-interest bearing debt

Net interest-bearing debt, including lease liabilities, at year-end 2020 amounted to USD 381 million compared to USD 302 million at year-end 2019. Net interest-bearing debt to EBITDA corresponded to 4.1x at year-end 2020. Due to the impact of COVID-19, the net interest-bearing debt to EBITDA ratio is temporarily above the level in the Capital Structure and Dividend policy (1.5x-2.5x NIBD/EBITDA).

Share buybacks and dividends

During 2020, Össur purchased 1,295,450 of own shares under share buyback programs. The total purchase price was USD 9 million. The purpose of the share buyback programs is to adjust the capital structure in line with a desired capital level of 1.5-2.5x net interest-bearing debt to EBITDA outlined in Össur's Capital Structure and Dividend Policy. It should be noted that the share buyback program was temporarily put on 17 March 2020 due to the impact of COVID-19, as the net interest-bearing debt to EBITDA ratio is temporarily above the level in the Capital Structure and Dividend policy. At year-end 2020, treasury shares totaled 902,277.

In 2020, Össur paid out cash dividends in the amount of USD 9 million, corresponding to DKK 0.15 per share or 13% of net profit in 2019.

Acquisitions and divestments

Divestment of Gibaud in France

Following the approval from employee representative bodies of Gibaud and Innothera, Össur completed the divestment of Gibaud SAS (Gibaud) in France to Innothera on 30 September. Össur's bracing & supports business in France has mainly been operating under the brand name of Gibaud, a local leader in the design, production, and distribution of bracing, soft goods, and compression therapy products, with primary focus on the pharmacy channel in France. Gibaud's

sales amounted to USD 51 million in 2019. Gibaud employs around 360 FTEs and operates two production facilities in France. Össur remains committed to servicing its Orthotic & Prosthetics (O&P) customers in France from Össur's offices in Lyon. As a result of the divestment, Össur's sales in France will primarily go through the O&P channel which is Össur's primary sales channel in Europe. Gibaud and Össur will continue to be business partners for a selected B&S product range.

Divestment of B&S sales entities

In 2008 and 2010 Össur acquired companies focused on sales of B&S products primarily in California and Texas. The rationale for the investment was to strengthen market access in these important markets for B&S in the US. As a result of product rationalization in recent years and changes in reimbursement, the focus of these sales entities has gradually shifted away from selling products manufactured by Össur. In addition, Össur has in recent years increased focus on the O&P channel. Össur therefore decided to divest the entities which was completed on 29 December. The sold entities generated USD 20 million of sales in 2020 and in recent years EBIT has been negative. The divested companies and Össur will continue to be business partners for a selected B&S product range.

Acquisitions

Össur made good progress with the external growth strategy through several acquisitions during the year. The combined full year sales amount to around USD 59 million (including an acquisition in January 2021). These acquisitions are in line with Össur's strategy to invest in companies that strengthen Össur's position in regional markets.

Impact of acquisitions and divestments

In 2019 and 2020, Össur has made several acquisitions and divestments. Over these two years, acquired sales on a full-year basis amount to USD 80 million while divested sales amount to USD 71 million.

Using 2019 as a reference year, as it is not impacted by COVID-19, and normalizing 2019 for pro-forma figures of acquired and divested companies, Össur's sales in 2019 (reported figures in brackets) would have amounted to USD 696 million (USD 686 million) and organic growth would have been 6% (5%). Gross profit margin would have been 64% (64%). EBITDA margin before special items would have been 23% (22%). B&S sales would have amounted to 38% (45%) of total sales.

Össur's sales in 2020 (reported figures in brackets) would have amounted to USD 628 million (USD 630 million) and organic decline would have been 10% (10%). Gross profit margin would have been 62% (62%). EBITDA margin before special items would have been 16% (15%). B&S sales would have amounted to 36% (41%) of total sales.

Outlook for 2021

FINANCIAL GUIDANCE FOR 2021		
	Guidance FY 2021	Actual FY 2020
Sales growth/(decline), organic	10-15%	(10%)
EBITDA margin before special items	21-23%	15%
CAPEX as % of sales	3-4%	4%
Effective tax rate	23-24%	38%

The financial guidance assumes continued impact from COVID-19 in 1H 2021, mainly in Q1 and gradually subsiding in Q2, while Q3 and Q4 are expected to be largely unaffected with some realized pent-up demand. No major fluctuation of main operating currencies is assumed. It is emphasized that the outlook for 2021 is more uncertain than usual as changes in measures to control the COVID-19 pandemic in Össur's main markets can have significant implications for financial performance in 2021. It should be noted that quarter one is, and has been historically, seasonally the weakest quarter of the year in terms of sales and profitability.

Acquisitions and divestments in 2019 and 2020 have impacted Össur's business mix. Further information on the impact can be found in the section "Acquisitions and divestments".

Given the current situation in Össur's key markets, the organic sales growth outlook for 2021 is expected to be in the range of 10-15%. Higher end of the guidance assumes continued recovery in sales during the first half of 2021 and a strong recovery in the second half with some realized pent-up demand while the lower end assumes slower recovery in 1H and slower realization of pent-up demand.

EBITDA margin before special items is expected to be in the range of 21-23%. Underlying increase in profitability is expected as sales recover, supported by growth in higher margin products, divestments, and scalability in core operations. Acquisitions are expected to have a slightly negative impact on the EBITDA margin. At current foreign exchange rates, keeping all other variables constant, currency movements are expected to have a positive impact of around 50 basis points in 2021 when compared to 2020.

CAPEX is expected to be in the range of 3-4% of sales. Main CAPEX items include maintenance CAPEX in manufacturing, continuation of the implementation of a new CRM software, investments in computer equipment, software, leasehold improvements, and fixtures.

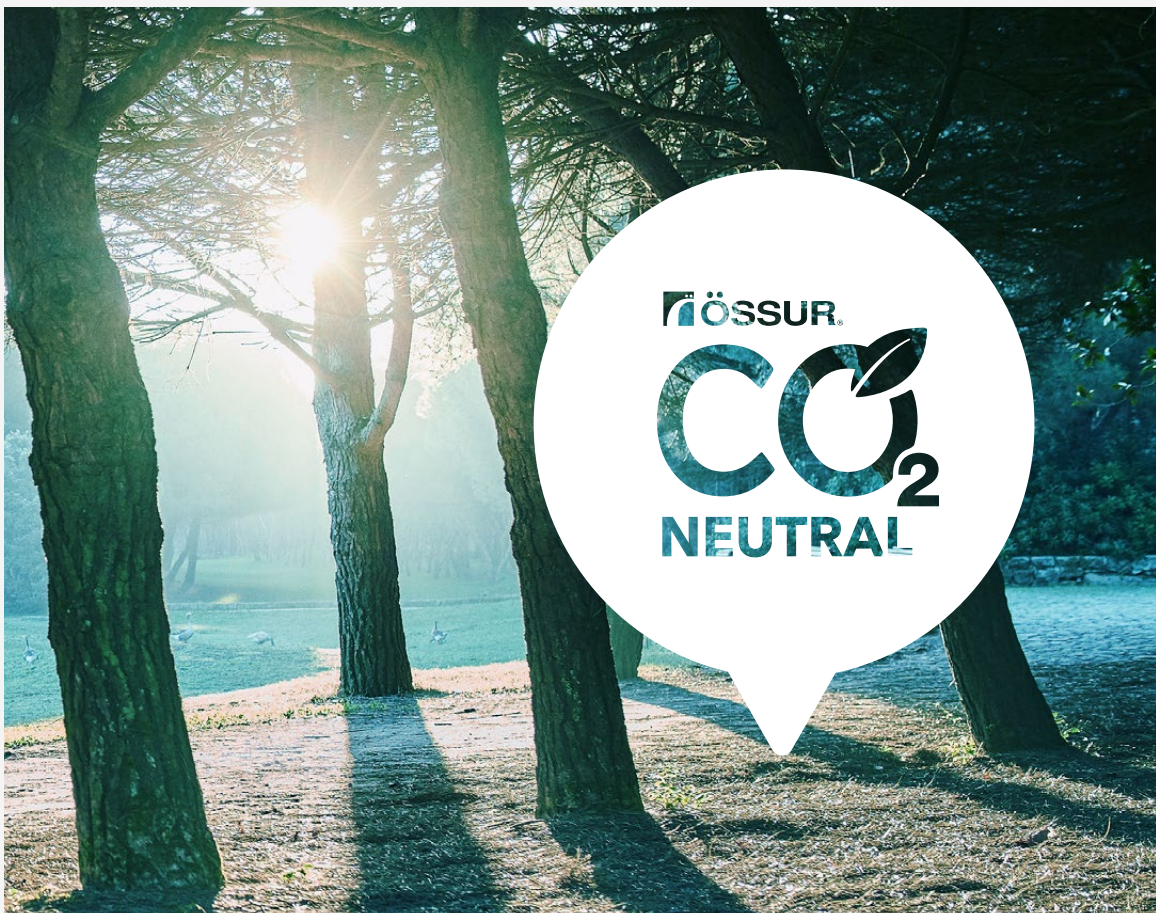
Based on the current mix of taxable income, the expectation is that the 2021 effective tax rate will be in the range of 23-24%.

IN THE SPOTLIGHT

Össur will be Carbon Neutral in 2021

In recognition of our commitment to sustainable development and to commemorate the Company's 50th anniversary, Össur will be Carbon Neutral in 2021 for energy and fuel consumption, waste generation, business travel and transportation of goods. This represents direct and indirect emissions (Scope 1 and 2) and selected Scope 3 emissions, according to The Greenhouse Gas Protocol.

Össur has partnered with First Climate, a leading service provider of carbon emissions management, to achieve carbon neutrality. Össur aims to source all electricity from renewable sources and offset emissions through VCS and Gold Standard projects to support the UN Sustainable Development Goals.



Markets

Economic development around the world and global macro trends in the market create demand and opportunities for growth. We have selected six trends that create opportunities for Össur:

INDUSTRY TRENDS CREATE OPPORTUNITY



Aging and more active population

1. The global population of 65 and older is increasing, and so is the amputee population
2. Growing number of people afflicted by vascular disease, the leading cause of amputation
3. Increased amount of fractures, joint instability and joint afflictions



Growing middle class in emerging markets

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



Increased pressure on healthcare budgets

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



Increased penetration of new technologies and high-end products

1. New innovative technologies being accepted for reimbursement
2. Gradual transition from volume to value-based payment in healthcare
3. Increased acknowledgement of total healthcare economic benefits of bionics and OA bracing



Increasing regulatory requirements

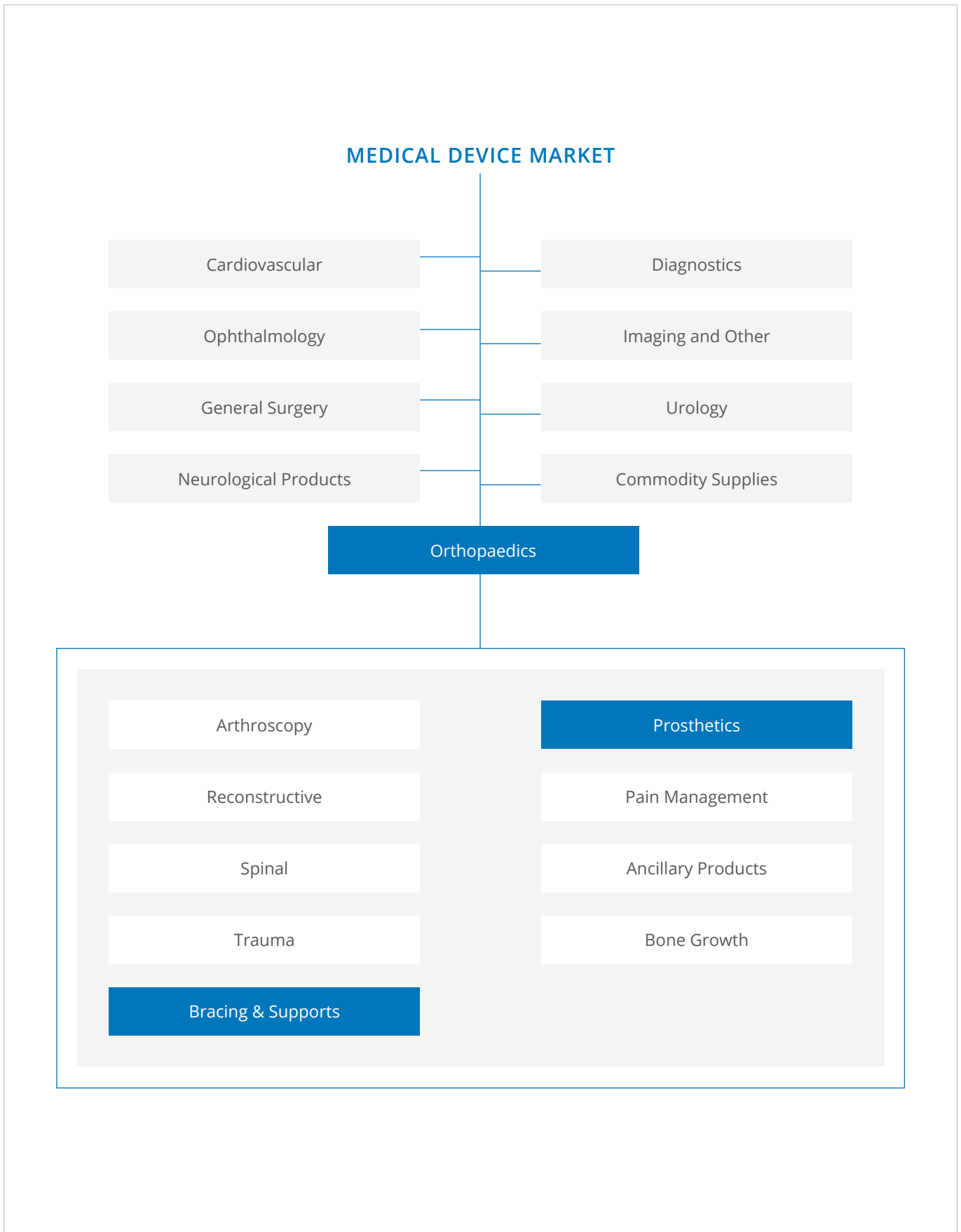
1. Investments in people and processes to adapt to changing healthcare requirements
2. Product development to meet prevailing regulatory requirements
3. Increasing importance of digital and personal data security



Improved treatment options

1. Earlier diabetic detection, limb salvage and alternative treatment options
2. Surgery, wound care and easily accessible pain medication provide alternatives to bracing
3. Increasing healthcare coverage and better access to patients

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

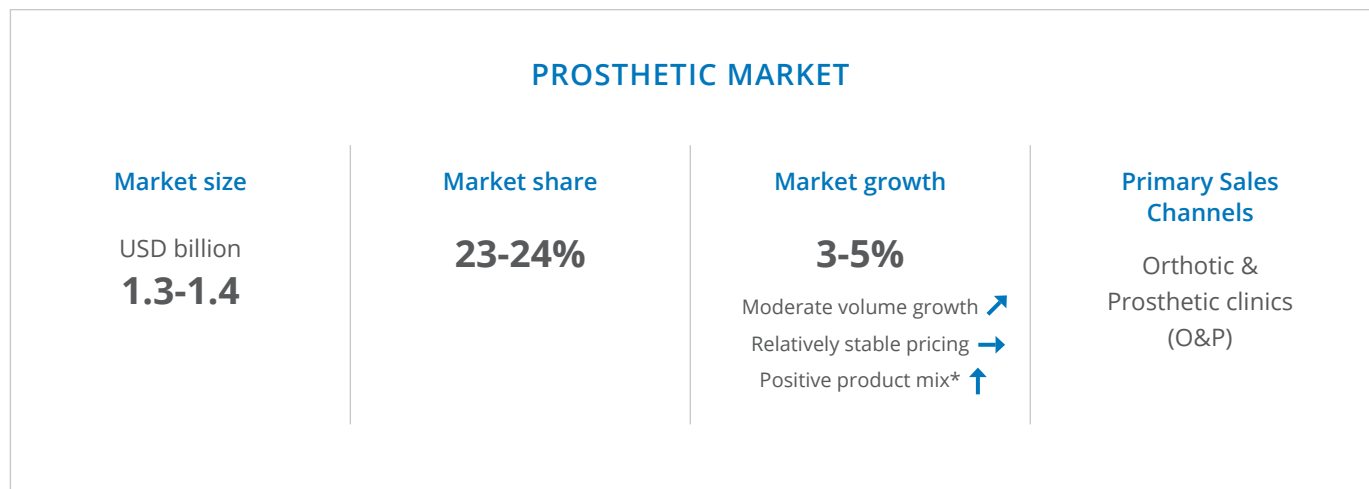


The prosthetics market

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

The size of the global prosthetics component market is estimated to be approximately USD 1.3-1.4 billion. Össur is the second largest company operating in prosthetics with a market share estimated at 23-24%. The share has increased from our previous estimates of 22-23%, largely due to the acquisition of the prosthetics manufacturer College Park which was completed during the year.

The growth rate of the prosthetics market is estimated to be 3-5%. Volume growth in the market is estimated to be moderate. Volume growth is determined by a relatively stable global amputee population and a moderate increase in the number of new amputees that get fitted with a prosthesis every year. Pricing in the prosthetics market is on average relatively stable. Growth in the prosthetics industry is mainly driven by increased utilization of higher quality prosthetics that lead to increased mobility and quality of life for the users.



Source: Össur management estimates

Note: Estimates only account for component sales from providers to suppliers, i.e. not clinical services

* Increased penetration of high-end innovative products



The bracing & supports market

Bracing & supports (B&S) include products used to support joints and other body parts for therapeutic and preventative purposes. The B&S market includes devices supporting spinal, knee, hip, foot, ankle, and hands. Össur offers a comprehensive line of products with primary focus on osteoarthritis and injury solutions.

The size of the global B&S product market is estimated to be approximately USD 2.7-3.0 billion. Össur's market share is estimated at 5-7% compared to previous estimates of 6-8%. The change in market share is largely due to Össur's divestment of Gibaud which was completed during the year.

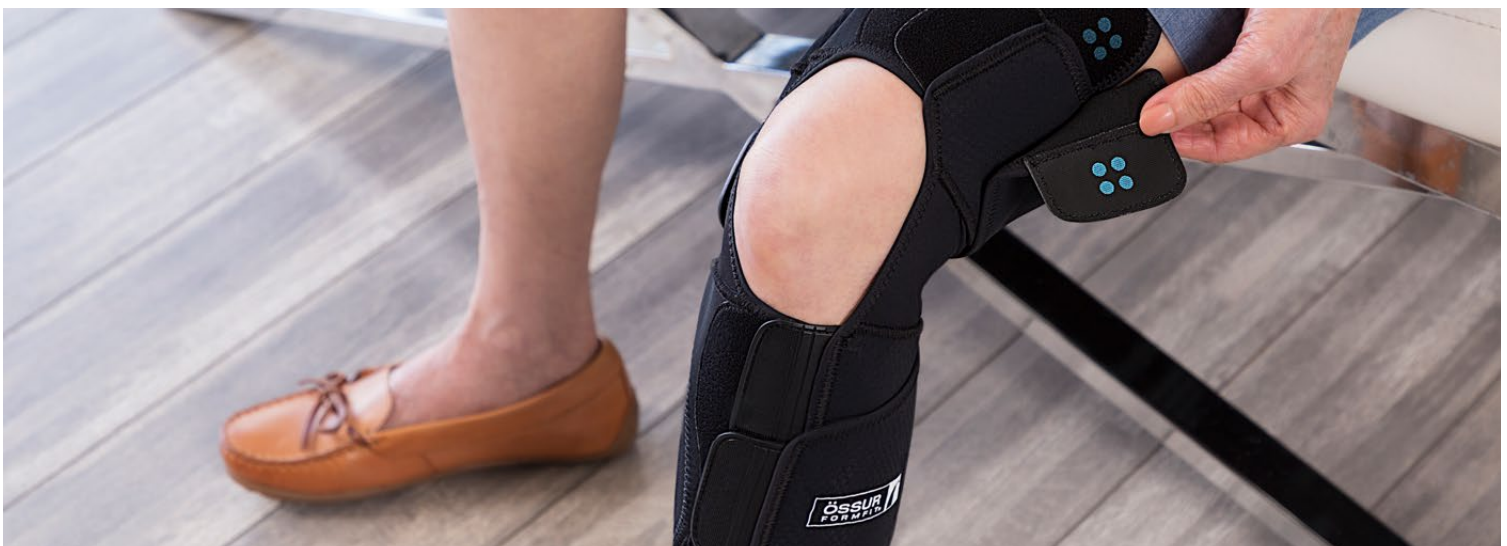
The growth rate of the B&S market is estimated to be 3-5%. Market growth is driven by a healthy volume growth in the B&S market supported by global healthcare trends such as an aging and more active population. Price levels are relatively stable as B&S products are fully reimbursed in most of the markets that Össur operates in. For some markets, there is moderate price pressure for selected product categories, mainly products of a lower innovation level. In addition, measures such as Competitive Bidding for off-the-shelf spinal and back braces in the US which came into effect in January 2021 puts further pressure on pricing for certain products. Increased utilization of high-end innovative products such as Unloader bracing supports market growth in B&S.



Source: Össur management estimates

Note: Estimates only account for component sales from providers to suppliers, i.e. not clinical services

* Increased penetration of high-end innovative products



Orthopaedic industry stakeholders

In the orthopaedic industry, many stakeholders and decision makers are involved in the purchasing decision.

Stakeholders can be categorized into five groups.

ORTHOPAEDIC INDUSTRY STAKEHOLDERS

End-Users

Individuals that use the products.

Prescribers

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

Providers

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

Payers

Public and private insurance companies. About 95% of Össur products are reimbursed by a third party.

Influencers

Healthcare systems, insurance companies, medical associations, end-users and their families.

USER STORIES

Jami Goldman Marseilles

In December 1987, Jami and her good friend Lisa were stranded during a brutal snowstorm in the Arizona desert. Eleven days later, they were found dehydrated and near starving. Both women would fall victim to severe frostbite. For Jami, that would mean battling gangrene and eventual amputation of both legs below the knee. Within a matter of days, Jami's life was up ended as she experienced grief, sadness and loss.

Over the next several years, Jami began an aggressive physical therapy routine, incorporated nutrition and wellness and learned how to walk again with the aid of prosthetics. But that was just the beginning.

"I was watching the 1996 Paralympic Games and decided then to become a professional Paralympic runner," said Jami. From that moment on, she became a runner. Buoyed by a strong family support network and fitted with her now well-recognized prosthetic running blades, she began a rigorous training regime that would ultimately lead her to join the US Paralympic Track and Field team and later compete in several triathlons, marathons and more.

On October 11, 2015 Jami became the first bi-lateral below knee female amputee to finish any marathon (Chicago Marathon), and on April 18, 2016 she became the first bi-lateral below knee female amputee to finish the Boston Marathon.

As a wife, mother, teacher, philanthropist – and now, cancer-survivor – Jami's story serves as a remarkable testament to the power of hope, strength and gratitude.

"Overcoming is living your life full of love, passion and perseverance."



Business model

Össur's business model in brief

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



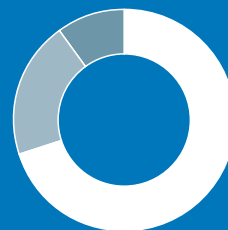
The end-users

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

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

Prosthetic Users

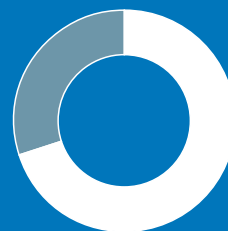
>750,000
new lower limb
amputees per year



Lower limb amputations

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

>25,000
new upper limb
amputees per year



Upper limb amputations

- Trauma 70%
- Other 30%

30-40%
of new amputees are fitted
with prosthetic solutions

65-70
is the average age
of the amputee population

Research & Development

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

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



Manufacturing & Quality

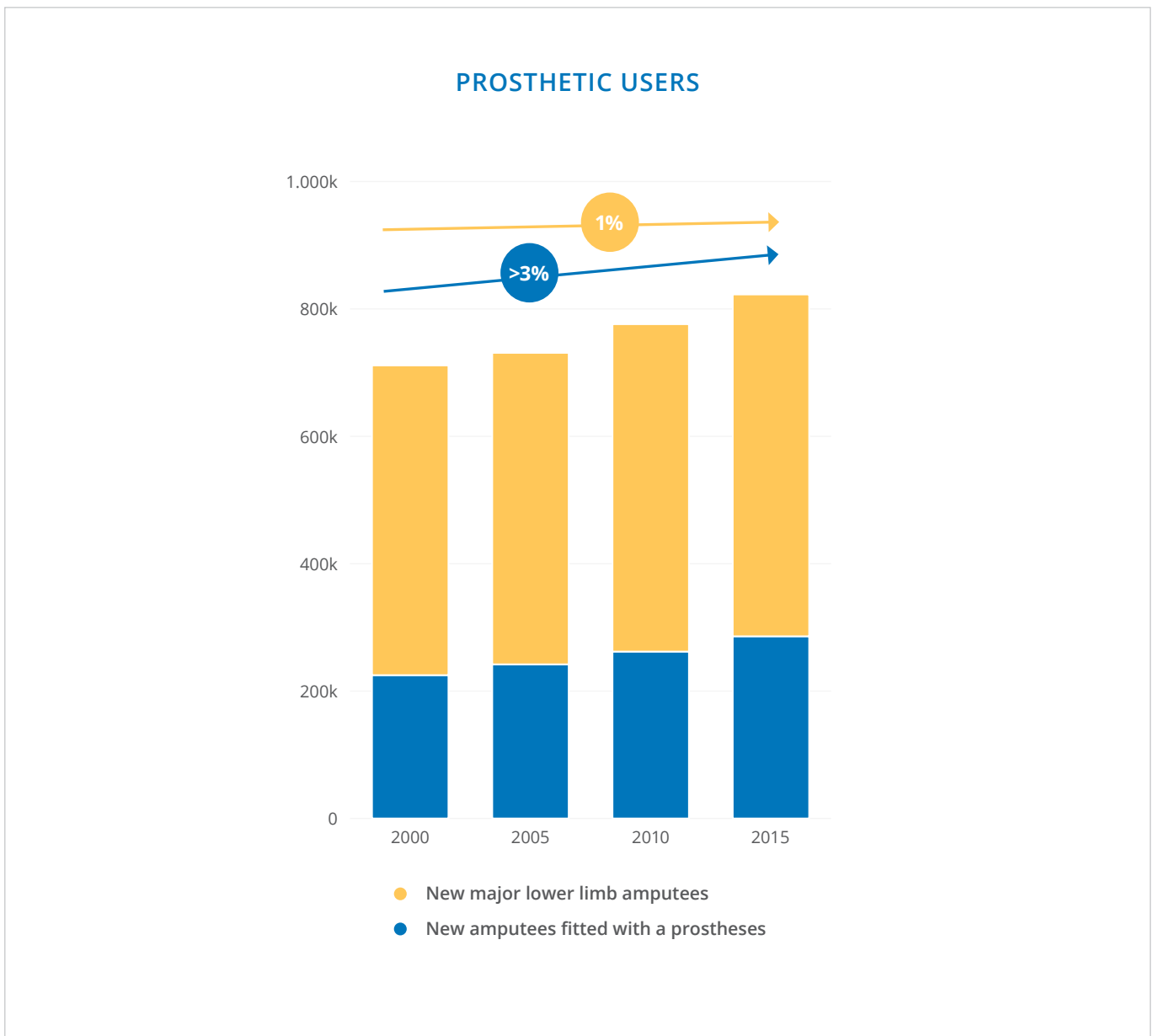
Össur maintains a strong global manufacturing function. Manufacturing of advanced prosthetic solutions, including bionics, takes place in Iceland and Scotland. Manufacturing of other prosthetics solutions, components and premium bracing solutions takes place in Mexico. Össur outsources the manufacturing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

Great emphasis is placed on quality and it is highly important that quality is an intrinsic part of processes whereby Össur has had a certified quality system in place since 1993. Össur complies with various global quality and regulatory requirements for medical devices and is currently certified with the ISO9001:2008/2015, ISO14001:2015 and ISO13485:2016 standards.



Sales & Marketing

Össur operates within a highly specialized industry where the primary customers are specialized healthcare providers who provide and fit individuals with Össur products. In prosthetics these customers are orthopaedic and prosthetic (O&P) clinics and in bracing & supports it is a combination of O&P clinics, hospitals, and surgery centers. In a few selected markets, Össur operates its own O&P clinics. In most cases, when a user has been fitted with a product, Össur's customers claim reimbursement from the relevant public institutions or private insurance companies. Össur largely sells its products through its own direct sales network.



Payers, providers, and prescribers

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

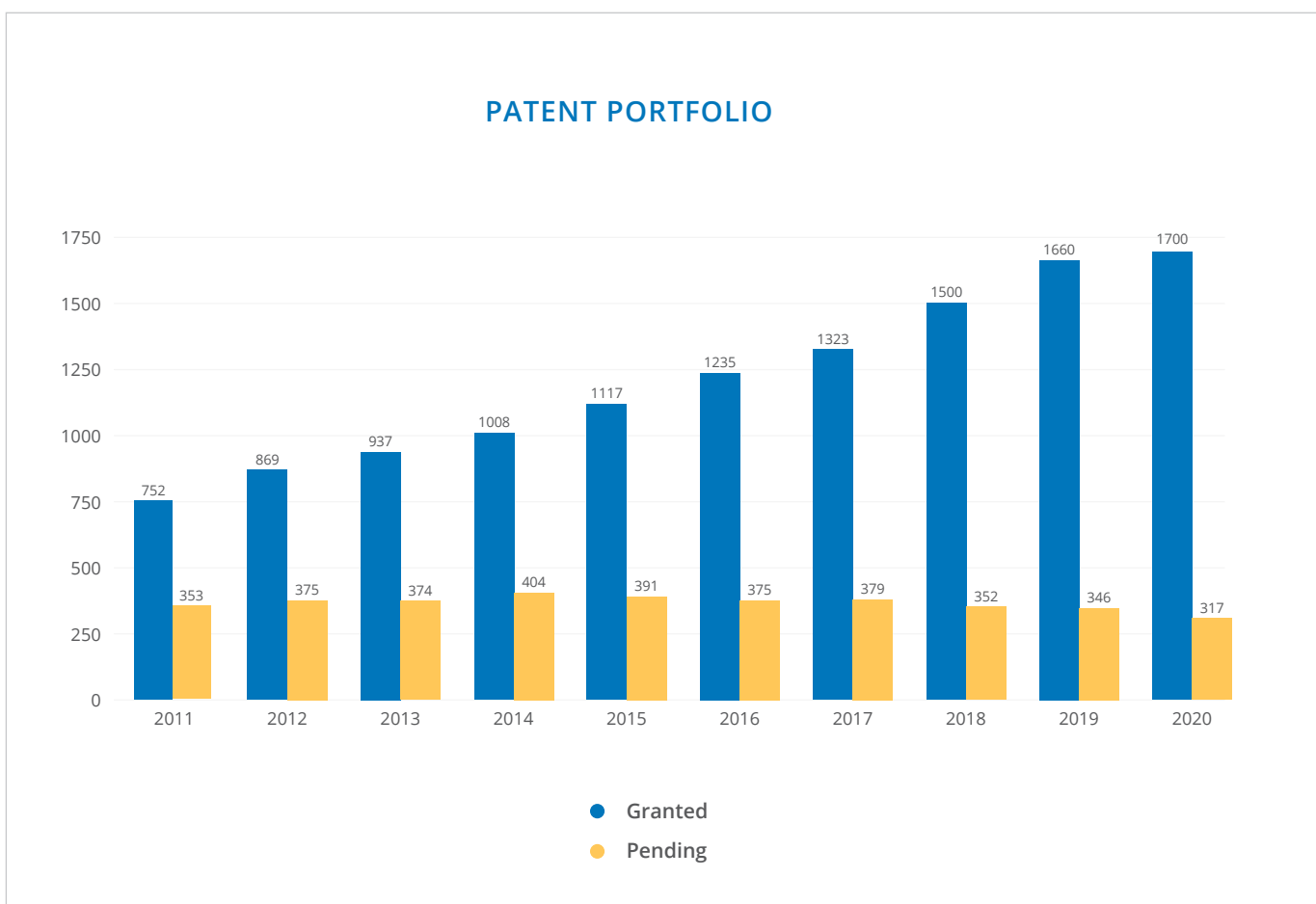
Providers are healthcare professionals who provide users with prosthetic and bracing products, and related services. These include certified prosthetists and orthotists (CPOs) working at O&P clinics, durable medical equipment (DME) clinics, orthopaedic clinics, and hospitals. Many providers not only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

Payers include government reimbursement or insurance companies, where over 95% of Össur's products are estimated to be reimbursed by a third party. It should be noted that reimbursement systems vary substantially between countries. In other cases, the end-user would pay for the products out of pocket.

Innovation

Strong intellectual property portfolio

Össur protects its investment in R&D by strategically growing its intellectual property portfolio. Proprietary technologies and products are protected with various types of intellectual property rights, such as patents, design registrations and, trade secrets. The IP portfolio is well diversified and representative of the business areas and markets in which Össur operates. In recent years, the portfolio has grown around 10% annually, which is mostly contributed to in-house innovation efforts. In 2020 alone, Össur was granted 85 new patents in addition to filing 117 new patent applications. At year-end 2020, Össur had over 1,700 granted patents and some 317 patent applications pending. In addition, Össur's brand is protected by more than 500 trademark registrations.



Prosthetics

In 2020, Össur introduced three new product groups catering specifically for the less active amputees and facilitating functional trade-up through technology for this population. To continue Össur's journey towards innovation for the elderly, development of the Mobili Knee™ has been one of the focus points in 2020. Mobili Knee is a microprocessor controlled, motorized prosthetic knee, based on Össur's powered knee technology, to be launched in 2021.

Össur first introduced powered technology to the prosthetics market in 2005 by launching the first generation of Power Knee™ which remains the only powered knee joint commercially available. The second generation was introduced in 2010 and the third generation, which has been in development for the past years, will launch in 2021. This third generation

will cater for the higher active population as its predecessors and will continue to carry the name Power Knee. The knee is intended to facilitate symmetrical loading during various activities, provide confidence when negotiating obstacles and cover greater distances. Another version of the third generation, the Mobili Knee, is specifically tailored to the needs of the low active population. The objective is to apply power to assist users to move from a seated position to a standing one and facilitate safe and assisted walking, allowing the amputee to ambulate in their desired environment and encouraging increased mobility. The launch of the Mobili Knee marks an important milestone in Össur's ambition to bring innovation to this user group.

Innovation in powered prosthetics is based on Össur's vision to replace lost muscle function by applying a specialized motor which is controlled by an internal computer. Above knee amputees typically rely solely on their sound side limb and arms to lift themselves up from a chair, putting strain on the body and compromising balance throughout this activity. By utilizing powered knee extension, the Power Knee and Mobili Knee can extend the joint under load and lift the prosthetic wearer from a seated to a standing position. The technology enables the user to stand up in a symmetrical fashion, putting equal amount of load on both legs and therefore achieving improved balance.

Amputees, specifically lower active and elderly amputees, name stumbles and the risks of falling as their key fear and contribution to insecurity while walking. During ambulation, it is important to create enough space between the foot and the ground when swinging the leg through to avoid the toe from stubbing on the floor as this can lead to stumbles or falls. The motorized control of Össur's powered knees allows for active control of the degree of knee flexion (against the gravity driven extension) during forward swing of the leg and thereby the possibility of influencing this important parameter of ground clearance of the foot, a major determinant for stumbles and falls.

By applying the powered technology to prosthetics, Össur is living up to its mission to improve people's mobility.

Bracing & Supports

Össur launched five new and exciting products within bracing & supports (B&S) during the year for both reimbursed channels as well as our direct-to-consumer (DTC) platform. Throughout the year, the B&S team continued on its innovation journey with focus on products that are designed and built to fulfill the needs of our customers and end users all while continuing to offer competitive pricing without compromising patient care.

A new walker boot is an excellent example of a product that is expected to set new standards in compliance, function, and biomechanisms within the B&S industry. When launched, this new walker boot will have a clear differentiation from other competing products and will address unmet needs in the marketplace.

Össur launched a direct-to-consumer platform in 2020 offering braces, compression, sleeves, accessories, and parts. Since launch Össur has focused on technology that provides the ultimate end user experience, for example with the CTi Ultra brace which is designed to offer best in class protection and stabilization of the knee joint. The development of the CTi Ultra has distilled decades of experience into Össur's first ever dedicated DTC product and will come to market in 2021.

By listening to the needs of our customers and end users, Össur continues to be in the forefront of innovation within the B&S industry.

Strategy

Össur is a pioneer of advanced technology and by listening to people's needs and pushing the boundaries of technology, continues to create some of the best products and services available in the fields of prosthetics and bracing & supports. In the end, we strive to create a Life Without Limitations for all our users. Össur's mission is to improve people's mobility and its vision is to be a leading company in the non-invasive orthopaedics market.

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



Innovation

Execute Ideas that add Value

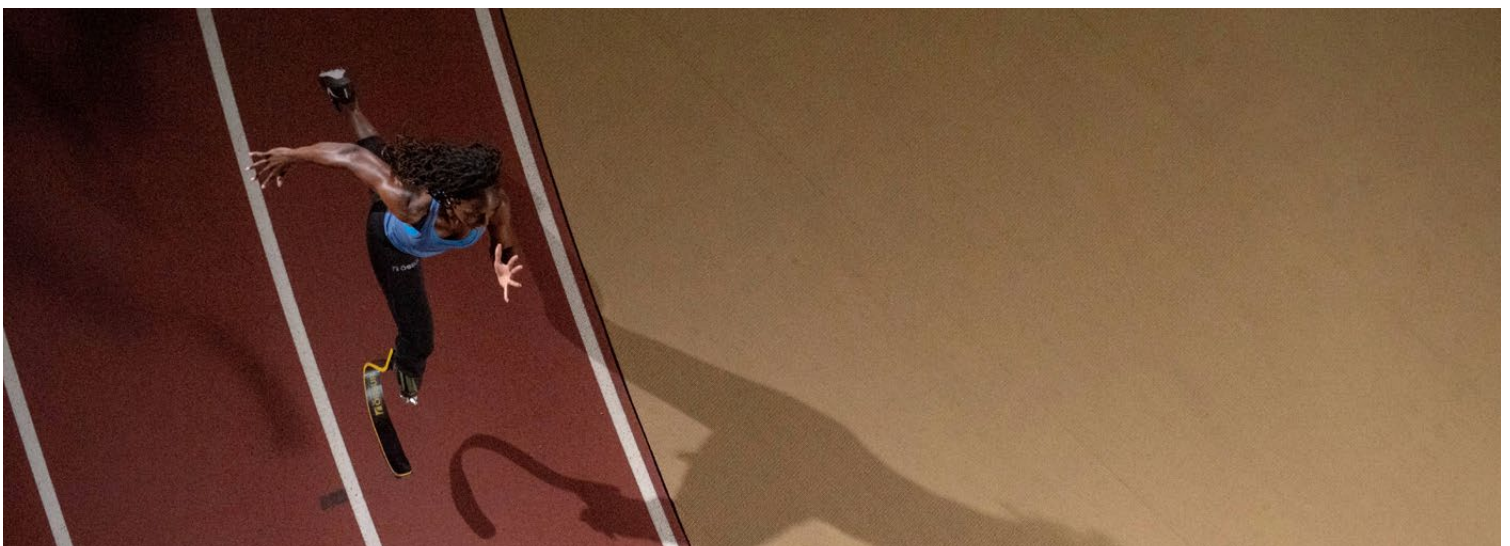
We embrace innovation in all our actions by creating value for our customers. We will be at the forefront of indication-related innovation to ensure our consistently strong position in the market.

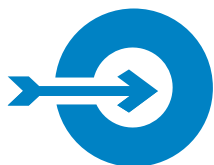
In 2020, Össur continued to invest in research & development amounting to 5% of sales or USD 31 million. Össur launched more than 20 new products and incremental updates to the market.

In 2020, Össur introduced new product groups catering specifically for the less active amputees and facilitating functional trade-up through technology for this population. These include the Balance Foot S and new Direct Socket TF and Connect TF socket technologies. The Balance Foot S was developed to support less-active prosthetic users, ideal for people who want a lightweight, comfortable foot for everyday use. Direct Socket TF is a socket solution for transfemoral amputees of all activity levels. Connect TF is an adjustable socket indicated for low active amputees, including an open socket donning feature.

Össur also launched new and exciting products within bracing & supports during the year for both reimbursed channels as well as our direct-to-consumer platform. Product launches for example include the Unloader One X Custom knee brace, which is manufactured to fit the patient's leg contour.

During the year, good progress continued to be made in research & development in new technologies for our users. For example, within powered prosthetics technology with products anticipated to be launched in 2021 and a new walker boot within B&S which will have a clear differentiation from other competing products and will address unmet needs in the marketplace.





Growth

Maintain Sustainable Growth

We will achieve growth by successfully commercializing our innovation through our local go-to-market strategy and commitment to our customers' needs. We will further develop our business and leverage untapped market opportunities.

Organic sales declined by 10% in 2020 as sales during the year were impacted in most markets by measures to control the COVID-19 pandemic. Due to these measures, average sales compared to the same period last year were as follows during the year: January and February 2020 were around 100% of last year's sales, March 80-90%, April 60-70%, May 70-80%, June 80-90%, and through the remainder of the year between 90-100%. The impact from the pandemic is expected to be short-term and that the long-term prospects and underlying fundamental drivers of the business are unchanged.

A key growth opportunity is within emerging markets where penetration of prosthetics and bracing is still relatively low. Össur continued to invest in selected emerging markets during the year by establishing direct sales and infrastructure. The goal in these markets is to drive conversion, technology trade-up, and offer partnership services.

Össur made good progress during the year with its partnership service model. These services include professional education, solutions to ease the reimbursement claim process, tools to enhance clinical outcomes, and outsourced fabrication.

Össur's strategy furthermore includes exploring growth opportunities through acquisitions, and additionally divestments were made during the year to further focus the business. Össur completed the acquisition of the prosthetics manufacturer College Park Industries during the year and additionally acquired several other companies. The combined full year sales of these acquisitions amount to USD 59 million (incl. an acquisition in the first week of January 2021). Divestments completed during the year include Gibaud in France and entities focused on B&S sales in the US. The combined full year sales of these divestments amount to USD 71 million.



Efficiency

Conduct Business Efficiently

We strive to increase efficiency and drive continuous improvement. We run efficient operations in the most optimal locations, hire passionate employees and deliver strong profit and cash flow.

EBITDA margin for 2020 was 15%. Profitability was strong despite the impact on topline due to COVID-19 and underlines that profitability will return to normalized levels as sales recover.

Gross profit for 2020 amounted to 62% of sales compared 64% of sales for 2019. During a large part of 2020, manufacturing capacity was reduced due to lower sales in relation to COVID-19, which resulted in a lower gross profit margin.

Good progress was made with the ongoing efficiency initiatives this year which are focused on distribution, manufacturing, and strategic sourcing. The savings target of USD 10 million in 2020 was reached, corresponding to USD 4 million in additional savings when compared to the previous year.

Össur has been investing in an increasingly scalable infrastructure. As an example, the global manufacturing platform is consolidating with about 12 fewer locations since the year 2009. Investments have been made in centralized procurement (strategic sourcing) and implementation of a new CRM platform. The shared service center in Poland supports around 60% of Össur's entities and the global IT department which is supporting majority of Össur's entities.

People

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

We have about 3,500 employees working in over 30 countries. While we are a diverse company, we work as one to improve people's mobility. Different ideas and points of view are beneficial to our business, and we believe in creating an environment where diversity, knowledge, skills, and strengths are fully utilized. As individuals, our employees can expect fair and equal treatment and equal opportunities for growth within Össur. Our employees take responsibility, both for their current job and for their career advancement. We offer various learning opportunities, so employees can build lasting and rewarding careers with us.

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

We have a Competency Framework within Össur that allows us to identify the behaviors that drive successful performance and supports business strategy. Our competencies are collaboration, communication, driving results, customer focus and change. Regular check-ins are encouraged between employees and managers to discuss both performance and development of these competencies which are supported by Össur's Development Guide that lists training and development opportunities for each competency. All employees regardless of their role or location, have access to thousands of on-line and virtual courses to learn and grow.

Össur recruits competent and ambitious individuals that can work on demanding projects, and we are proud that we've been able to provide advancement opportunities for our talented employees. Our hiring decisions are based



on a potential employee's skills and abilities. Our global team of talented professionals is passionate about helping people live a Life Without Limitations. While innovation drives us as we strive to be the leading company in non-invasive orthopaedics, it is the people that work at Össur that make this possible.

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



HONESTY

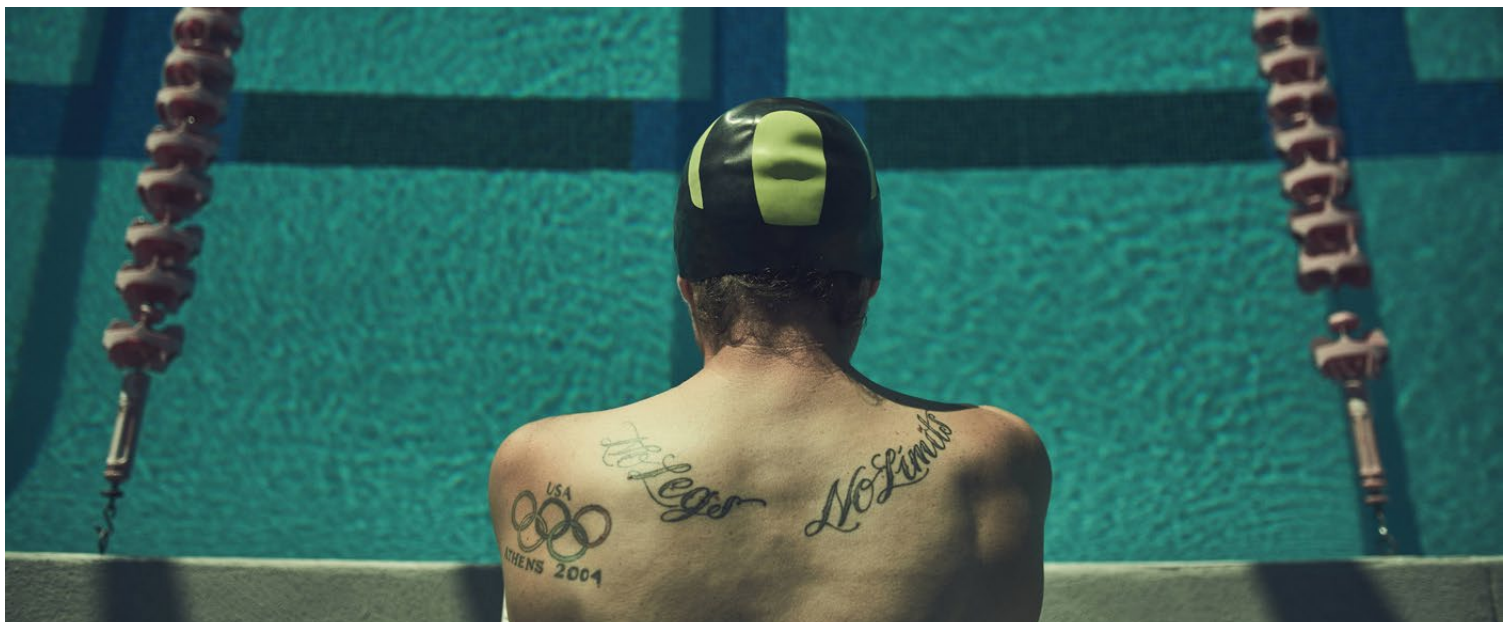
— Stay True —

FRUGALITY

Make Every Step Count

COURAGE

— Aim Higher —



Diversity and Equality

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

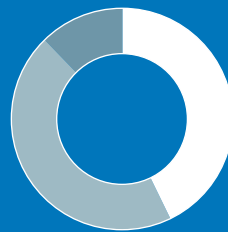
Diversity and equality are extremely important to us. Different ideas and points of view are beneficial to our business, and we believe in creating an environment where all our knowledge, skills and strengths are fully utilized. As individuals, we can expect equal treatment and equal opportunities for growth within Össur.

Diversity and Equality



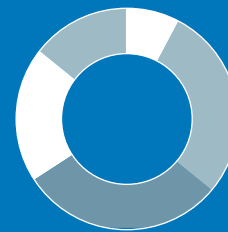
Gender Ratio

- Male 54%
- Female 46%



Education

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



Age

- 16-25 8%
- 26-35 28%
- 36-45 30%
- 46-54 20%
- 55+ 14%

Risk management

Four key risks

Investment in Össur's shares involves various risks where the business, financial conditions, and results of operations going forward rest upon certain assumptions and could be negatively affected if any of the factors described in this chapter occur. Össur has chosen to highlight four key risks which are currently considered most relevant (apart from the expected short-term impact of COVID-19). Össur cannot ensure that given assumptions for the description of the risk is correct. Furthermore, additional risks and uncertainties which are listed on Össur's corporate website, or not presently known to Össur, or that the Company currently deems immaterial, may adversely affect its business operations and financial results, to an even greater extent, than the four risks identified here.

CHANGES IN REIMBURSEMENT

Description

Most of Össur's products and services are reimbursed by third-party payers, including government healthcare programs and private health insurance plans. All third-party payers continue to develop methods of controlling healthcare costs, including review of claims, selective contracting, and competitive bidding.

Potential impact

These cost-control methods may limit or even eliminate the coverage and the amount of payment for which third-party payers may be willing to pay for Össur's products and services. As a result, sales may decline significantly, and customers may reduce or eliminate purchases. Reviews of claims may lead to repayment of prior sales.

Mitigative actions

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

REGULATORY REQUIREMENTS

Description

Össur's products are medical devices that are subject to extensive global regulations by the respective authorities in countries where Össur conducts its business. Such regulations can restrict virtually all aspects of a medical device's design and testing, manufacturing, safety, labeling, storage, recordkeeping, reporting, clearance and approval, promotion, distribution, and services.

Potential impact

Failure to comply with the regulatory requirements of the applicable authority may subject Össur to sanctions ranging from warning letters to penalties and product withdrawal. Össur's failure to comply with regulatory requirements or receive regulatory clearance and approval for its products or operations would adversely affect Össur's sales and potential for future growth.

Mitigative actions

Össur maintains a robust global quality system that complies with international medical device standards and is an intrinsic part of internal processes. Furthermore, employees actively monitor the medical device regulation landscape and stay on top of changes to international and local regulations in the countries where Össur markets and sells medical devices.

ÖSSUR MAY BE UNABLE TO DEVELOP OR SECURE THE USE OF NEW TECHNOLOGIES

Description

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

Potential impact

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

Mitigative actions

Significant reinvestment into R&D and constant strive to find new technologies has resulted in a vast IP portfolio and enables a strong position to compete with potential new entries. External connections and appeal to universities, research institutes and investors provides the opportunity to stay informed and review emerging innovation as part of acquisitions or research cooperation initiatives.

INDUSTRY CONSOLIDATION AND FORWARD INTEGRATION

Description

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

Potential impact

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

Mitigative actions

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






Other relevant risk factors

For other relevant risk factors please see the Investor Relations section on our corporate website.

Shareholder information

The Össur stock price decreased by 7% in 2020, compared to an increase of 36% of the OMXC25GI index, a leading index for the Danish equity market. Össur returned USD 18.6 million to its shareholders in 2020, in the form of USD 9.3 million share buybacks and USD 9.3 million in dividends.

Össur's stock is listed on Nasdaq Copenhagen and was the 25th largest company listed on Nasdaq Copenhagen when measured in terms of market value at year-end 2020.

KEY INFORMATION TABLE				
Market	ISIN	Ticker	Industry	Nr. of shares
				
CPH (DKK)	IS0000000040	OSSR	Health Care	423,000,000

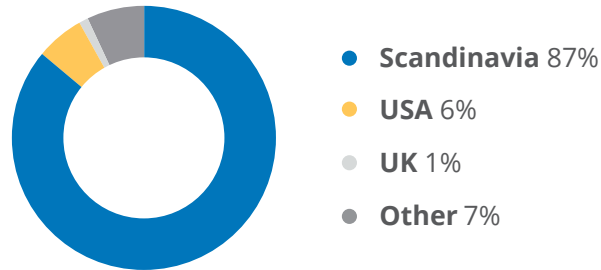
The share capital of Össur is ISK 423,000,000 nominal value, divided into the same number of shares. There is only one class of shares and all shares carry one vote.

Össur's largest shareholder is William Demant Invest A/S (WDI) which held 52% of the total shares and 52% of the voting rights at year-end 2020. WDI has been invested in Össur since 2004. According to an announcement by WDI, their intention is to hold between 50-60% of Össur's shares going forward. Apart from Össur, the fund's investment activities include holdings in Demant, a leading provider of hearing aids, Vision RT, Vitrolife, Cellavision, Revenio, Jeudan, and Borkum Riffgrund.

In addition, ATP Pension Fund and The Pension Fund of Commerce had announced holdings above 5% in Össur at year-end 2020.

At year-end, about ~87% of Össur's shareholders were located in Scandinavia. The remaining ~13% of the shares are held by investors residing in other countries.

SHAREHOLDER INFORMATION

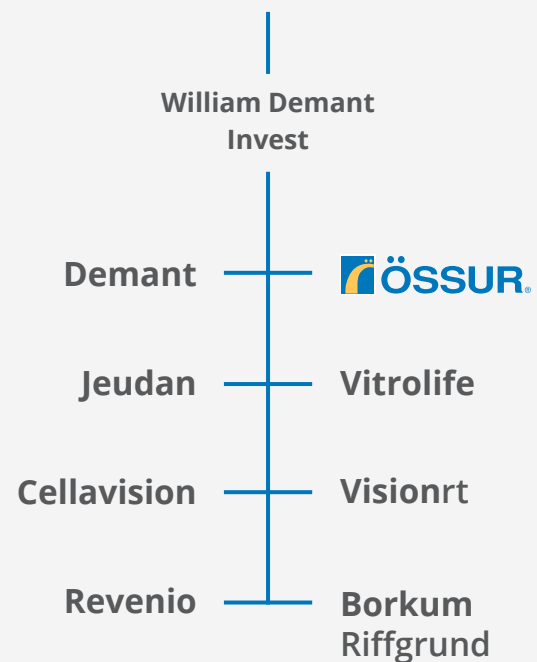


Ownership structure

William Demant Invest A/S invests in companies whose business models and structures resemble those of Demant A/S, but are outside of Demant A/S' strategic sphere of interest which is hearing healthcare.

When investing in new companies, William Demant Invest generally looks for the following industry and company traits:

- Medtech/healthcare industries
- Strong underlying market factors such as demographic trends and structural growth
- Niche industries with consolidation potential
- Companies and products with proof of concept and existing revenue, i.e. not biotechnology/clinical trials
- Stable cash flow generation or the potential to achieve it in a short to medium term

William Demant
Foundation

Stock performance

Össur's share price decreased by 7% in 2020, from DKK 52.3 per share at year-end 2019 to DKK 48.5 per share at year-end 2020. Össur's market capitalization was DKK 20.5 billion (USD 3.4 billion) at year-end 2020 compared to DKK 22.2 billion (USD 3.3 billion) at year-end 2019.



Share buybacks

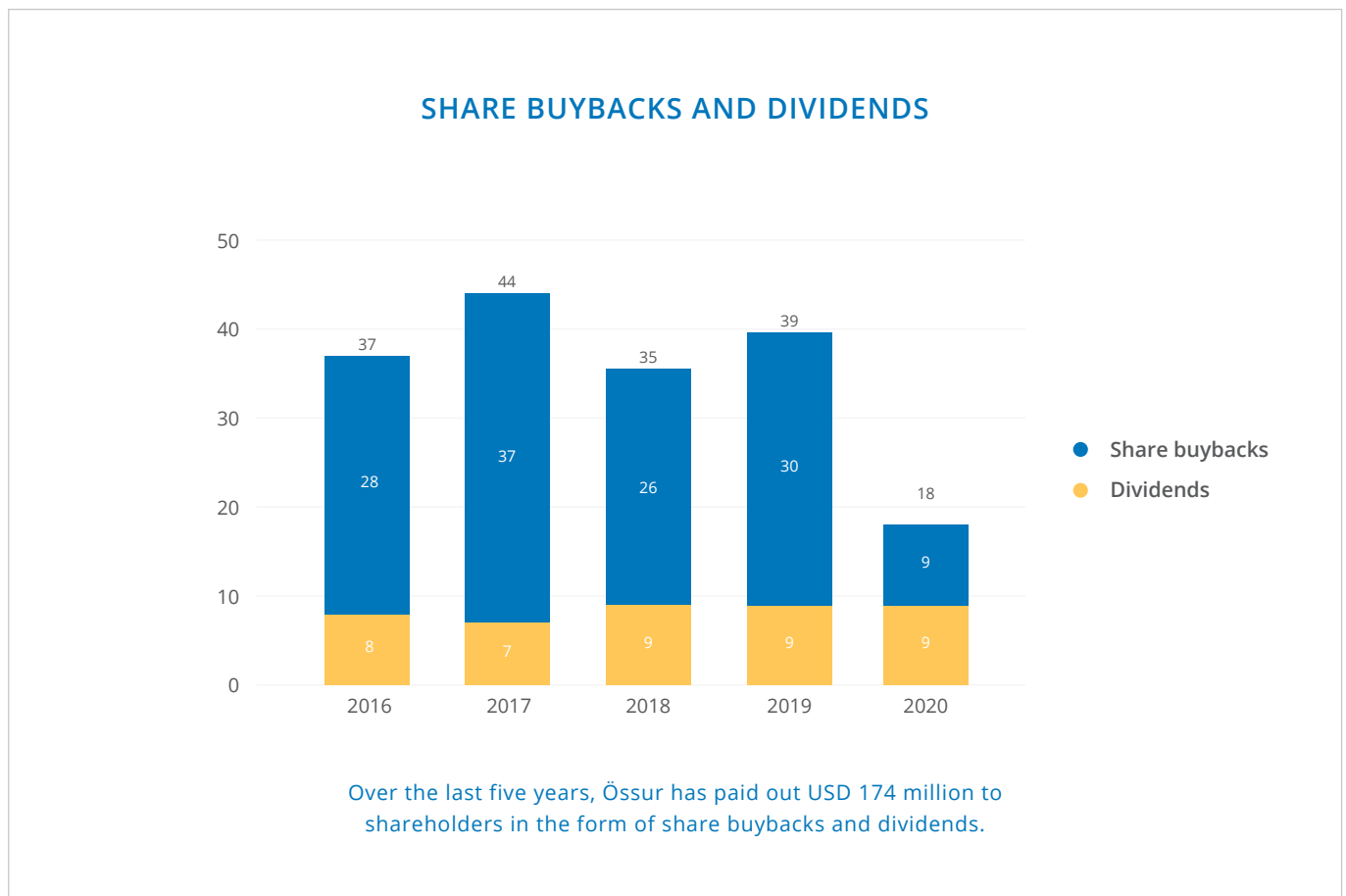
During 2020, Össur purchased 1,295,450 of own shares (approx. 0.3% of outstanding shares) under share buyback programs. The total purchase price was DKK 63 million (USD 9 million). The purpose of the share buyback programs is to adjust the capital structure in line with a desired capital level of 1.5-2.5x net interest-bearing debt to EBITDA outlined in Össur's Capital Structure and Dividend Policy. It should be noted that the share buyback program was temporarily put on-hold on 17 March 2020 due to the impact of COVID-19, as the net interest-bearing debt to EBITDA ratio is temporarily above the level in the Capital Structure and Dividend policy. At year-end 2020, treasury shares totaled 902,277.

The Board of Directors will not propose to the Annual General Meeting 2021 to reduce the share capital by way of cancelling shares as Össur's current shareholding will be utilized to meet share option obligations.

Dividends

During 2020, Össur paid out cash dividends in the amount of DKK 64 million (USD 9 million), corresponding to DKK 0.15 per share or 13% of net profit in 2019.

The Board of Directors will not propose to the Annual General Meeting in 2021 that Össur pays cash dividends for the financial year 2020 as the net interest-bearing debt to EBITDA ratio is temporarily above the level in the Capital Structure and Dividend policy.



Financial calendar

Annual General Meeting	8 March 2021
Interim Report Q1 2021	27 April 2021
Interim Report Q2 2021	22 July 2021
Interim Report Q3 2021	26 October 2021
Interim Report Q4 2021 and Annual Report for 2021	1 February 2022
Annual General Meeting	8 March 2022

According to the Articles of Association, the Annual General Meeting (AGM) shall be held before the end of April. The meeting is convened with at least three weeks' notice. The AGM results are sent to the news system of Nasdaq immediately following the meeting and are also made available on the corporate website. Össur's AGM will be held on 8 March 2021.

Investor relations

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

Visit our website for financial reports, announcements, presentations, financial calendar, upcoming events, share information, and other information on Össur: ossur.com/investors

Contact Investor Relations

e-mail: ir@ossur.com

Tel.: +354 515 1300

Corporate Governance

Recommendations on Corporate Governance

Össur applies the Danish Recommendations on Corporate Governance (“Recommendations”). The Recommendations are the best practice guidelines for companies admitted to trading on a regulated market in Denmark.

Each year the Board of Directors evaluates and decides to what extent the Company should comply with the Recommendations and consequently whether relevant rules, policies and processes should be adopted or amended. When reporting on corporate governance, Össur comments and provides information on each recommendation. In the few cases where Össur has decided to deviate from the Recommendations, the “comply or explain” principle is applied, and well-founded explanations are provided why the relevant recommendation is not considered appropriate or desirable for the Company.

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

Governance Structure

Shareholders’ Meetings

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

At each Annual General Meeting the shareholders confirm the Company’s consolidated financial statements, approve the Company’s remuneration policy and decide on remuneration for the Board of Directors. The Board of Directors and an auditor are also elected at the Annual General Meeting, for a term of one year. Other resolutions are made on an ad-hoc basis, such as amendments to the Company’s articles of association (including capital reductions or authorizations for the Board of Directors to increase share capital) as well as authorizations to the Board of Directors (including to purchase own shares, initiate share buyback programs, or initiate share incentive programs).

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

William Demant Invest A/S holds the voting majority at Össur’s Shareholders’ Meetings due to its majority ownership of the Company.

Minutes of Shareholders’ Meetings are available [here](#) on Össur’s website.

Board member	Responsibilities	Independent	Nationality	Residence	Board tenure
Niels Jacobsen	Chairman of the Board	No	Danish	Denmark	2005
Kristján Tómas Ragnarsson	Vice Chairman of the Board	No	Icelandic	USA	1999
Arne Boye Nielsen	Chairman of the Audit Committee	No	Danish	Denmark	2009
Guðbjörg Edda Eggertsdóttir	Member of the Audit Committee	Yes	Icelandic	Iceland	2013
Svafa Grönfeldt	Member of the Audit Committee	No	Icelandic	USA	2008

Board of Directors

The Board of Directors is the supreme authority in Össur's affairs between Shareholders' Meetings. The Board has various roles and responsibilities, including establish goals for the Company and formulate the policy and strategy to achieve those goals, hire a CEO to manage the Company's daily operations, supervise the Company's activities and ensure that the Company's organization and operations are in good and proper order, ensure adequate surveillance of the accounting and financial management of the Company, and evaluate the Company's capital structure as well as the performance of the Board and the CEO. The Board's roles and responsibilities are further described in the Board's rules of procedure, which are available [here](#) on Össur's website.

THE BOARD OF DIRECTORS' ANNUAL SCHEDULE

Quarter 1

February Meeting

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

Annual General Meeting

March Meeting

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

Quarter 2

April Meeting

- Quarterly results

Quarter 3

July Meeting

- Half-year results

September Meeting

- Strategy

Quarter 4

October Meeting

- Quarterly results

December Meeting

- Strategy and forecast
- Performance evaluation
- Diversity discussions

The Board of Directors is composed of five individuals, all elected by the shareholders at the Annual General Meeting for a term of one year. The Board shall be represented by at least 40% of each gender, and currently there are three men and two women on the Board. The Board members have all served for several years, which ensures consistency and good insights into the Company's business and markets.

The Chairman and the Vice Chairman of the Board of Directors are elected each year following the Company's Annual General Meeting. The Chairman's main responsibility is to ensure that the Board performs its duties in an orderly and efficient manner. In the absence of the Chairman, the Vice Chairman performs his duties. Niels Jacobsen has served as the Chairman since 2006 and Kristján Tómas Ragnarsson as the Vice Chairman since 2012.

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

Further information on each member of the Board of Directors is available [here](#) on Össur's website.

Board member	Board Meetings attended
Niels Jacobsen	● ● ● ● ● ● ● ● ●
Kristján Tómas Ragnarsson	● ● ● ● ● ● ● ● ●
Arne Boye Nielsen	● ● ● ● ● ● ● ● ●
Guðbjörg Edda Eggertsdóttir	● ● ● ● ● ● ● ● ●
Svafa Grönfeldt	● ● ● ● ● ● ● ● ●

Audit Committee

The Audit Committee acts as an advisor to the Board of Directors but has no authority to take any decision on behalf of the Board. The principal duty of the Audit Committee is to ensure good quality of the Company's Consolidated Financial Statements and other financial information as well as the independence of the Company's Auditors. The Audit Committee's role and responsibilities are further described in the Audit Committee's rules of procedure, which are available [here](#) on Össur's website.

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

Further information on each member of the Audit Committee is available [here](#) on Össur's website.

Board member	Audit Committee Meetings attended
Niels Jacobsen*	● ● ● ● ●
Kristján Tómas Ragnarsson*	● ● ● ● ●
Arne Boye Nielsen	● ● ● ● ●
Guðbjörg Edda Eggertsdóttir	● ● ● ● ●
Svafa Grönfeldt	● ● ● ● ●

*Attends the meeting in his capacity as Chairman or Vice Chairman of the Board.

Executive Board

According to Össur's Articles of Association the Executive Board is formally composed of the CEO alone. He is not a member of the Board of Directors.

The CEO is responsible for the Company's daily operations and is obliged to follow the Board of Directors' policy and directions, within the limits provided for by the Company's articles of association and law. The daily operations do not include measures that are unusual or extraordinary, which may generally only be taken if specially authorized by the Board.

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

Össur also has a wider executive committee consisting of the CEO, the CFO and Executive Vice Presidents (“Executive Management”). The Executive Management generally meets every week and collectively prepares and implements the Company’s strategic plans. The CEO is responsible for the work and results of the Executive Management. The CEO evaluates the performance of the Executive Management each year and discusses the results of the evaluation with each member and the actions to be taken, if any.

Further information on each member of the Executive Management is available [here](#) on Össur’s website.



Corporate Social Responsibility

Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. In 2019, Össur evaluated its impact on the UN Sustainable Development Goals and selected four goals to support. Initiatives related to the selected goals started in 2020 and therefore this is the first time Össur reports on the progress. This chapter will give a high-level overview of the selected SDG's and ESG measurements in accordance with the Nasdaq ESG Guidance. Össur publishes annually a separate Progress Report on its sustainability efforts which discusses the Company's initiatives and progress in more detail.

Össur's contribution to the UN Sustainable Development Goals (SDG)

Össur's largest impact on society is through the Company's innovative products, research activities and expertise in the field of prosthetics and bracing and supports. Össur works with individuals, clinicians, and diverse communities around the world to support a better quality of life and increase the mobility of millions of people. Consequently, Össur's greatest impact is on Goal 3, Good Health and Well-Being. Additionally, Össur will also contribute to Goal 5 on Gender Equality, Goal 12 on Responsible Consumption and Production and Goal 13 on Climate Action. Össur's sustainability vision is to provide products and services that contribute to good health, using responsible production methods and supporting climate action, while being a sponsor for gender equality.



Access to healthcare for elderly amputees

Össur's main initiative supporting this goal is to design products that offer additional benefits for the elderly, increasing their independency and quality of life. To secure access and availability of these solutions, Össur works closely with healthcare professionals in its field. At the end of 2020, Össur had already launched three products that are specially designed for this user group, and 30% of ongoing clinical investigations were related to this subject which will deliver valuable information and insights to further understand the need and potential benefits.

The numbers in the table below show the status at year-end 2020. As this is the first year Össur reports on these initiatives, these results serve as a baseline and next year will demonstrate the progress achieved.

Actions and progress	Target	2020 Status
New products specially designed for elderly users	4 new products by 2024	3
Ongoing prosthetic studies which will inform developers about the elderly customer group		30%
Availability of Products*		44%
Availability of Products and services**		25%

* Percentage of countries where Össur products are available

** Percentage of countries where Össur provides both products and services (direct sales)



Our Ongoing Commitment

Össur believes in diversity in its broadest sense and the importance of gender equality and women's positive contribution to the workplace and the society. Main targets supporting this goal is to maintain an even gender split amongst employees (+/-10%), Increase management positions held by women, and continue to encourage greater diversity and inclusiveness in the industry.

Actions and progress	Target	2020 Status
Gender split among employees	50% (+/- 10%)	46% Female 54% Male
Female Managers (percentage of total number of managers)	50% (+/- 10%)	36%
Össur's Women's Leadership initiative (ÖWLI) Encourage greater diversity and inclusiveness in the industry	Annual conferences* and webinars	6 webinars

* Annual ÖWLI Conference postponed 2020 due to COVID19



Reducing the environmental footprint of our products

Össur is taking a product-centric approach to environmental management and aims to reduce the product's environmental footprint throughout the full lifecycle, from development, through production, use and disposal. Our approach is to start initiatives with selected product lines and expand into the portfolio going forward.

Actions and progress	Target	2020 Status
Sustainable product design	<ul style="list-style-type: none"> Establish data on carbon footprint of the current product portfolio Identify opportunities for carbon footprint reduction Build internal development processes to act on carbon footprint of future products 	<ul style="list-style-type: none"> Selected products in current product portfolio analyzed with respect to their carbon footprint Opportunities for carbon footprint reduction of selected products identified Internal education and awareness Sustainability Workshops
Reduce material in product packaging	<ul style="list-style-type: none"> Eliminate single use plastic Reduce total material consumption 	<ul style="list-style-type: none"> Pro-Flex Foot line packaging re-design: <ul style="list-style-type: none"> 100% reduction in polyurethane 10% less in total material 50% recycled material Recycling information incorporated

13 CLIMATE ACTION



Actively working towards a carbon neutral operation

Össur is committed to reducing its Greenhouse Gas Emissions and improving the efficiency of its energy and resource consumption.

In recognition of our commitment to sustainable development and to commemorate Össur's 50th anniversary, Össur will be Carbon Neutral in 2021 for energy and fuel consumption, waste generation, business travel and transportation of goods. This represents direct and indirect emissions (Scope 1 and 2) and selected Scope 3 emissions, according to Greenhouse Gas Protocol.

Össur has partnered with First Climate, a leading service provider of carbon emissions management, to achieve carbon neutrality. Össur aims to source all electricity from renewable sources and offset emissions through VCS and Gold Standard projects to support the UN Sustainable Development Goals.

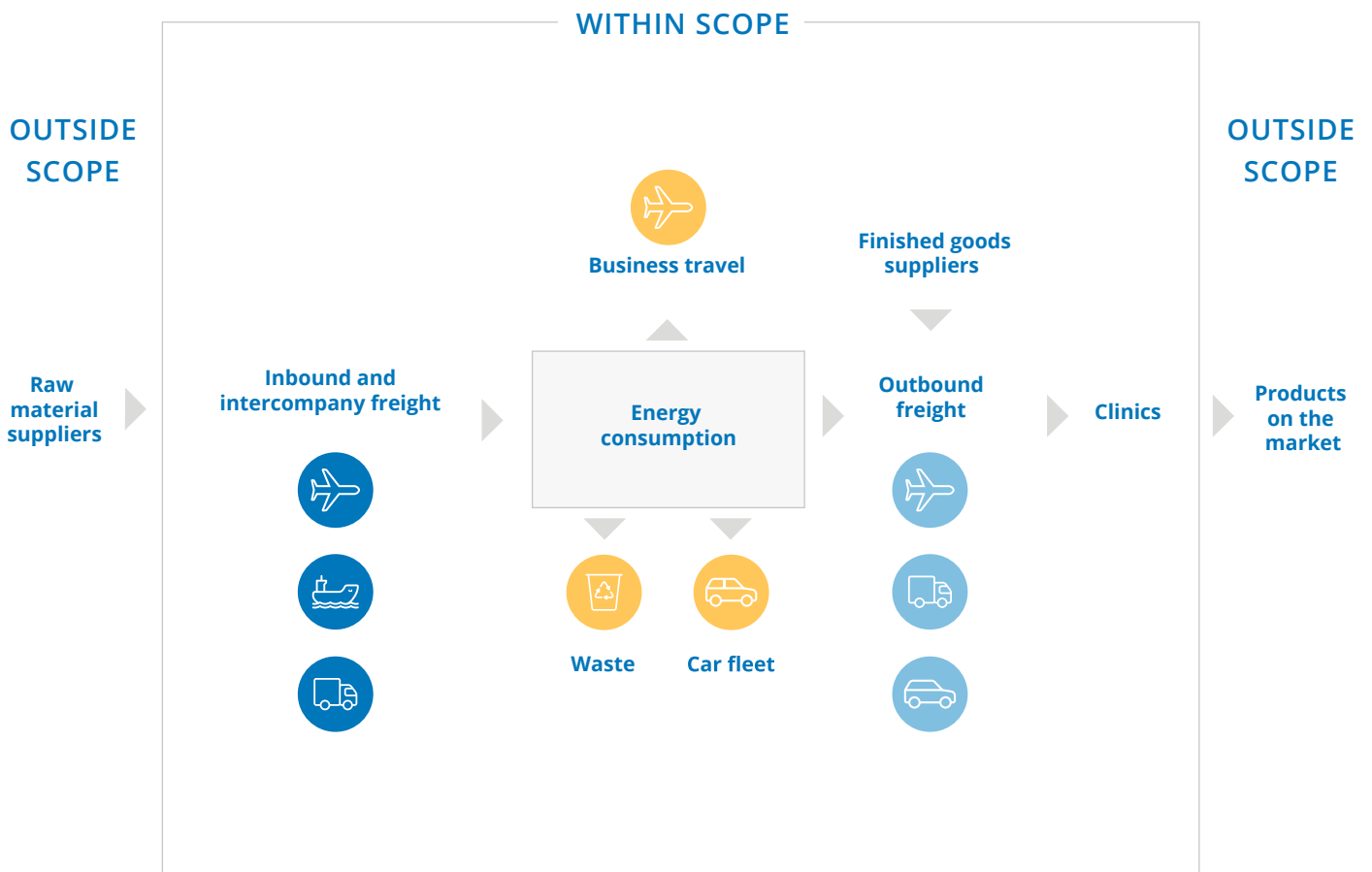
Actions and progress	Target	2020 Status
Continuously improve Össur's Greenhouse Gas emission reporting	Establish an overview of Össur's carbon footprint	Emission data added for: <ul style="list-style-type: none"> • 6 Össur locations • Transportation of goods • Clinics • Car fleet • Finished Goods Suppliers electricity consumption
Source electricity from renewable energy sources	100%	24% of electricity with Guarantee of Origin (GO) certification
Reduce emissions from business travel and freight.	-10%	40% reduction, reflecting COVID-19 impacts on business travel (70% reduction)
Carbon Neutral company	Carbon neutral in 2021	<ul style="list-style-type: none"> • Partner selected (First Climate) • Emissions calculations verified by First Climate



The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.



HOW WILL WE DO IT?



Environment

Below reporting on environmental metrics is in accordance with the Nasdaq ESG guidance. Össur strives to continuously improve its Greenhouse Gas emission reporting with more extensive data from suppliers and service providers.

ENVIRONMENT				
		Connection to frameworks	2019	2020
E-1	GhG Emissions in tonnes CO2 equivalents (tCO2e) *	UNGC P7		
1.1	Scope 1 - Direct emissions, tCO2e		360	1.800
	Gas consumption for heating		360	500
	Fuel consumption in vehicle fleet		n.a.	1.300
1.2	Scope 2 - Indirect emissions, tCO2e		3.600	5.000
	Purchased electricity and heat		3.600	5.000
1.3	Scope 3 - Other relevant indirect emissions, tCO2e		7.090	9.330
	Finished Goods Suppliers electricity consumption		n.a.	2.200
	Transportation of goods		n.a.	4.700
	Waste treatment		190	130
	Business travel		6.900	2.300
E-2	Emissions Intensity	SDG 13, UNGC P7, P8		
2.1	Total GhG emissions per revenue, tCO2e/USD Million		16	26
E - 3	Energy Usage	SDG 12, UNGC P7, P8		
3.1	Total energy directly consumed (MWh)		2.340	7.030
	Gas consumption for heating		2.340	2.230
	Fuel consumption of vehicle fleet		n/a	4.800
E - 4	Energy Intensity	SDG 12, UNGC P7, P8		
	Total energy usage per revenue, MWh/USD Million		3	11
E - 5	Energy Mix			
	% electricity from renewable sources **		n/a	24%
	% electricity from other energy sources		n/a	76%
E - 6	Water Usage			
6.1	Total amount of water consumed (m3) ***		95.400	87.000
E - 7	Environmental operations			
7.1	Does Össur follow a formal Environmental Policy?		Yes	Yes
7.2	Does Össur follow specific waste, water, energy, and/or recycling policies?		Yes	Yes
7.3	Does Össur use a recognized energy management system?		Yes	Yes
E - 8	Climate Oversight / Board			
	Does Össur Board of Directors oversee and/or manage climate-related risks?		No	No
E - 9	Climate Oversight / Management			
	Does Senior Management Team oversee and/or manage climate-related risks?		No	No
E - 10	Climate Oversight / Management	UNGC P9		
	Total amount invested, annually, in climate-related infrastructure, resilience, and product development.		n/a	n/a

* In 2020, the scope of emission monitoring was extended to include 6 additional Össur locations, Transportation of goods, Clinics, Car fleet and Finished Goods Suppliers. This extension to the monitoring scope explains higher emissions in 2020 compared to 2019.

** Electricity consumption in Iceland, Guarantee of origin (GO) certified for the first time

*** Includes 7 of 10 M&O operational sites

In 2020, the scope of emission monitoring was extended which explains higher emissions in 2020, compared to 2019. The table only shows two years as the 2018 numbers are not comparable to 2019 and 2020 numbers due to this extension to scope.

Össur has a certified environmental management system in accordance with ISO 14001:2015 at the largest manufacturing and distribution locations.

For more detailed information, see Össur's CSR report.

USER STORIES

Rudy Garcia-Tolson

"A brave heart is a powerful weapon, and people should never let their challenges define who they are"

At an age when most children must be reminded to brush their teeth or take out the trash, Rudy Garcia-Tolson was charting his course to Ironman® Triathlon victory and Paralympic gold. Born with multiple birth defects, Rudy endured 15 surgeries by the age of five before telling his parents he would prefer a double leg amputation. Soon after, Rudy began to swim and run, participating in his first triathlon at age 8, as the swimmer in a winning relay team. By age 10, on a visit to Össur in Iceland, he provided product input which became key in the development of the Flex-Run™ prosthetic. Shortly thereafter, Rudy completed the first of many individual triathlons.

Today he is a multi-hyphenate. Rudy is a swimmer, runner, cyclist, triathlete, ESPN's ARETE Courage in Sports Award Winner, ESPY nominee, motivational speaker and four-time paralympian.

On a day-to-day basis, Rudy uses Össur's Rheo Knee® and Pro-Flex® XC. For athletics, he uses Össur's Flex-Run. As a four-time Paralympian (2004, 2008, 2012, 2016) and five-time medalist, Rudy devotes himself to inspiring the younger generation of challenged athletes. Today, he is training in hopes of competing at his fifth Paralympics in Tokyo next year.

"Never let people tell you that you can't do something. Prove them wrong. The only disability in life is a negative attitude."



Social

Below reporting on social metrics in accordance with the Nasdaq ESG guidance. Further details on social initiative are discussed in Össur's CSR report.

SOCIAL METRICS					
		Connection to frameworks	2018	2019	2020
S - 1	CEO Pay Ratio	UNGC: Principle 6			
1)	CEO total compensation to median FTE total compensation		22	21	21
2)	Does your company report this metric in regulatory filings? Yes/No		Yes	Yes	Yes
S - 2	Gender pay ratio	UNGC: Principle 6			
	Equal pay audit		Yes	Yes	Yes
S - 3	Employee Turnover	UNGC: Principle 6			
1)	Year-over-year change for full-time employees		15%	10%	17%
2)	Year-over-year change for part-time employees		n/a	n/a	n/a
3)	Year-over-year change for contractors and/or consultants		n/a	n/a	n/a
S - 4	Gender Diversity	UNGC: Principle 6			
1)	Total enterprise headcount held by men and women		M 51%/ F 49%	M 51%/ F 49%	M 54%/ F 46%
2)	Entry- and mid-level positions held by men and women		M64%/ F36%	M62%/ F38%	M64%/ F36%
3)	Senior- and executive-level positions held by men and women		M80%/ F20%	M74%/ F26%	M76%/ F24%
S - 5	Temporary Worker Ratio	UNGC: Principle 6			
1)	Total enterprise headcount held by part-time employees		4,2%	8%	9%
2)	Total enterprise headcount held by contractors and/or consultants		n/a	124	144
S - 6	Non-Discrimination	UNGC: Principle 6			
1)	Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No		Yes	Yes	Yes
S - 7	Injury Rate	SDG 3			
1)	Total Recordable Incident Rate per 100 employees		1,1	0,6	0,7
S - 8	Global Health and Safety	SDG 3			
1)	Does your company follow an occupational health and/or global health & safety policy? Yes/No		Yes	Yes	Yes
S - 9	Child & Forced Labor	UNGC: Principle 4,5			
1)	Does your company follow a child and/or forced labor policy? Yes/No		Yes	Yes	Yes
2)	If yes, does your child and/or forced labor policy cover suppliers and vendors? See also: Yes/No		Yes	Yes	Yes
S - 10	Human Rights	UNGC: Principle 1,2			
1)	Does your company follow a human rights policy? Yes/No		Yes	Yes	Yes
2)	If yes, does your human rights policy cover suppliers and vendors? See also: Yes/No		Yes	Yes	Yes

Corporate Governance

Össur's Corporate Governance reporting complies with the Danish Recommendations on Corporate Governance. Further details on the Corporate Governance Reporting can be found in the Corporate Governance Statement on Össur's website: ossur.com/corporate/investor-relations/corporate-governance

Below reporting on governance metrics in accordance with the Nasdaq ESG guidance. Further details on Governance related initiative are discussed in Össur's CSR report.

GOVERNANCE METRICS					
		Connection to frameworks	2018	2019	2020
G - 1	Board Diversity				
1)	Percentage: Total board seats occupied by women (as compared to men)		M 60% / F 40%	M 60% / F 40%	M 60% / F 40%
2)	Percentage: Committee chairs occupied by women (as compared to men) <i>The Board has only one committee, Audit Committee, explaining the uneven gender split.</i>		M 100% / F 0%	M 100% / F 0%	M 100% / F 0%
G - 2	Board Independence				
1)	Does company prohibit CEO from serving as board chair? Yes/No		Yes	Yes	Yes
2)	Percentage: Total board seats occupied by independents		D 60% / I 40%	D 60% / I 40%	D 60% / I 40%
G - 3	Incentivized Pay				
1)	Are executives formally incentivized to perform on sustainability? Yes/No		No	No	No
G - 4	Collective Bargaining	UNGC: Principle 3			
1)	Total enterprise headcount covered by collective bargaining agreement(s)		n/a	41%	39%
G - 5	Supplier Code of Conduct	UNGC: Principle 2,3,4,8 SDG 12			
1)	Are your vendors or suppliers required to follow a Code of Conduct? Yes/ N		No	Yes	Yes
2)	If yes, what percentage of your suppliers have formally certified their compliance with the code?		n/a	76%*	76%*
G - 6	Ethics & Anti-Corruption	UNGC: Principle 10			
1)	Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No		Yes	Yes	Yes
2)	If yes, what percentage of your workforce has formally certified its compliance with the policy?		91%**	91%**	91%**
G - 7	Data Privacy				
1)	Does your company follow a Data Privacy policy? Yes/No		Yes	Yes	Yes
2)	Has your company taken steps to comply with GDPR rules? Yes/ No		Yes	Yes	Yes
G - 8	ESG Reporting	UNGC: Principle 8			
1)	Does your company publish a sustainability report? Yes/No		Yes	Yes	Yes
2)	Is sustainability data included in your regulatory filings? Yes/No		Yes	Yes	Yes
G - 9	Disclosure Practices	UNGC: Principle 8			
1)	Does your company provide sustainability data to sustainability reporting frameworks? Yes/No		Yes	Yes	Yes
2)	Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No		No	Yes	Yes
3)	Does your company set targets and report progress on the UN SDGs? Yes/No		No	Yes	Yes
G - 10	External Assurance	UNGC: Principle 8			
	Are your sustainability disclosures assured or validated by a third party? Yes/No	Third party assurance and third party audits are performed on vast majority of the CSR data, further details in the CSR report			

* Percentage of suppliers categorized as critical suppliers

** Percentage of key employees in sales and employees with responsibilities in high risk areas



Board of Directors



Niels Jacobsen

Chairman of the Board of Directors

Born in 1957

Member of the board of directors since the year 2005

Education

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

Board positions

KIRKBI A/S, deputy chairman

Nissens A/S, chairman

Thomas B. Thrige Foundation, chairman

ABOUT YOU Holding GmbH, deputy chairman

Additional duties related to William Demant Invest A/S:

Demant A/S, deputy chairman

Jeudan A/S, chairman

Össur hf., chairman

Vision RT Ltd., chairman

Founders A/S, chairman

Boston Holding A/S, board member

Experience

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

Shares held in Össur

203,330 (incl. related parties). Mr. Jacobsen holds no share options in the Company

Other

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



Dr. Kristjan Tomas Ragnarsson

Vice Chairman of the Board of Directors

Born in 1943

Member of the board of directors since the year 1999

Education

University of Iceland School of Medicine and certified by the American Board of Physical Medicine and Rehabilitation.

Experience

Between 1986 and 2016, Dr. Ragnarsson served as the Chairman and Lucy Moses Professor of the Department of Rehabilitation Medicine for the Mount Sinai Medical Center in New York City. He has also served in multiple other leadership positions at Mount Sinai and various professional organizations. In 1971-1986 Dr. Ragnarsson was a Resident, Fellow, Assistant and then Associate Professor Rehabilitation Medicine, NYU Medical Center.

Shares held in Össur

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

Other

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



Arne Boye Nielsen

Member of the Board of Directors

Born in 1968

Member of the board of directors since the year 2009

Education

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

Board positions

Epos A/S (chairman)

Revenio Group Oyj (board member)

Interacoustics A/S (president)

Experience

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

Shares held in Össur

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

Other

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



Dr. Svafa Grönfeldt

Member of the Board of Directors

Born in 1965

Member of the board of directors since the year 2008

Education

Doctorate in Industrial Relations from the London School of Economics

Board positions

Icelandair (board member)

Origo (board member)

UNICEF Iceland (board member)

Mynto (board member)

Experience

Dr. Grönfeldt is the senior advisor to the Dean at the Massachusetts Institute of Technology SA+P, a founding member of MIT's newest innovation accelerator DesignX, and a co-founder of the MET fund, a Cambridge based seed investment fund. Previous positions include Chief Organizational Development Officer of Alvogen, President of Reykjavik University, deputy to the CEO of Actavis Group, Assistant Professor of Economics and Business Administration at the University of Iceland.

Shares held in Össur

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

Other

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



Gudbjörg Edda Eggertsdóttir

Member of the Board of Directors

Born in 1951

Member of the board of directors since the year 2013

Education

Master's degree (Pharm.) from Copenhagen University

Board positions

Brunnur Investment Fund (chairman)

Coripharma Holding ehf (vice chairman)

Florealis ehf. (chairman)

Orf Genetics hf. (board member)

Vistor hf. (board member)

Saga Medica ehf. (board member)

Pretium ehf. (chairman)

Experience

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

Shares held in Össur

26,318 (incl. related parties). Ms. Eggertsdóttir holds no share options.

Other

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

Executive Management



Jon Sigurdsson
President and CEO

Born in 1956

With Össur since the year 1996

Education

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

Bachelor degree in Industrial Engineering from Odense Technical College in Denmark.

Board Positions

Vitrolife AB

The Icelandic American Chamber of Commerce

Experience

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

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

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

Shares held in Össur

899,474 (incl. related parties)



Egill Jonsson
EVP of Manufacturing and Operations

Born in 1957

With Össur since the year 1996

Education

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

Bachelor degree in Engineering from the University of Iceland

Board positions

Federation of Icelandic Industries

Technical College Reykjavik

Experience

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

Shares held in Össur

822,749 (incl. related parties)



Gudjon G. Karason
EVP of Clinics

Born in 1969

With Össur since the year 1998

Education

Master's degree in Engineering from the University of Iceland.

CS degree in Mechanical Engineering from the University of Iceland.

Experience

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

Shares held in Össur

42,743



Margret Lara Fridriksdottir

EVP of Human Resources and Corporate Strategy

Born in 1978

With Össur since the year 2000

Education

Master's degree in Management and Strategy from the University of Iceland.
Bachelor degree in Business Administration from the University of Iceland.

Experience

Margrét has been with Össur since 2000 in various roles in finance and human resources.

Shares held in Össur

16,300



Dr. Kristleifur Kristjansson

EVP of Research and Development

Born in 1955

With Össur since the year 2012

Education

Medical Doctor degree from the University of Iceland
Board-Certified Pediatrician from the Medical College of Georgia
Clinical and molecular genetics fellowship from the Baylor College of Medicine in Houston, Texas

Certified Pediatrician and Clinical Geneticist in Iceland from 1993

Board positions

Skraeda ehf. (chairman)

Experience

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

Shares held in Össur

1,850



Olafur Gylfason

EVP of Sales & Marketing

Born in 1969

With Össur since the year 1997

Education

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

Bachelor degree in Business Administration from Bifrost School of Business in Iceland.

Experience

Ólafur has been with Össur since 1997; from 2001-2013 as the Managing Director of EMEA and before that in emerging markets.

Shares held in Össur

9,517



Sveinn Sölvason
Chief Financial Officer

Born in 1978

With Össur since the year 2009

Education

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

Bachelor degree in International Business from Copenhagen Business School.

Board positions

Icelandic Chamber of Commerce

Experience

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

Shares held in Össur

25,000



Christian Robinson
EVP of Bracing & Supports and Americas

Born in 1982

With Össur since the year 2012

Education

Juris Doctorate from Harvard Law School

Bachelor's Degree in English Literature from Brigham Young University

Board positions

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

Experience

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

Shares held in Össur

600





ÖSSUR HF.

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

Össur hf.

Consolidated Financial Statements

31.12.2020

Table of Contents

Statement by the Board of Directors and President and CEO	1
Independent Auditor's Report	4
Financial Highlights and Key Ratios	8
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Balance Sheet	11
Consolidated Statements of Cash Flow	13
Consolidated Statement of Changes in Equity	14
Notes to the Consolidated Financial Statement	15

Statement by the Board of Directors and President and CEO

It is the opinion of the Board of Directors and the President and CEO of Össur hf. (the Company), that these Consolidated Financial Statements present the necessary information to evaluate the financial position of the Company at year end, the operating results for the year and financial developments during the year 2020. Össur Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006.

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

A requirement to conclude on non-financial information has been made part of Icelandic law from 2016 as part of the implementation of EU directive 2013/34/EU that became effective for Member States in 2017. It is the Board of Directors opinion that necessary information to analyze the environmental, social and employee aspects of the business can be obtained by reviewing information in the Annual Report to help provide fundamental understanding of the Company's development, performance and position on non-financial matters. Össur joined the UN Global Compact in 2011 and signed the UN Women's Empowerment Principles in 2014. Annually, Össur publishes a progress report, reporting on the progress of key projects in the four categories set forth by the Global Compact; environmental concerns, labor practices, human rights and anti-corruption. Further information about Össur's corporate social responsibilities (CSR) activities can be found in the Annual Report and 2020 progress report, available on the Company's website: <https://corporate.ossur.com/corporate/our-responsibility>

The total sales of the Company amounted to USD 629.5 million (2019: USD 686.3 million) and decreased by 8% from the preceding year. Organic local currency sales decline was 10%. Net profit amounted to USD 7.9 million (2019: USD 68.9 million). Diluted Earnings per Share amounted to US cents 1.9 (2019: US cents 16.2.). Earnings before interest, taxes, depreciation, impairment and amortization (EBITDA) amounted to USD 93.0 million (2019: USD 141.3 million).

The total assets of the Company amounted to USD 1,214.3 million at year end, liabilities were USD 637.1 million and equity was USD 577.2 million. The equity ratio at year end was 48%, (2019: 52%).

The Company employed on average 3,505 employees in 2020 (2019: 3,382) and 3,385 at year end (2019: 3,449).

Össur's shares are admitted to trading on the Nasdaq Copenhagen stock exchange. The market value of the Company at year end was USD 3,380 million (YE 2019: USD 3,340 million) and the share price in DKK decreased by 7,4% during the year. At year end, registered shareholders in Össur were 4,512 compared to 4,322 at the beginning of the year. It should be noted that due to the concentration of trading in Nasdaq Copenhagen in 2017, about 1,600 shareholders that held shares listed in Iceland were consolidated into a few nominee accounts. The ten largest shareholders and their ownership percentage are: William Demant Invest A/S - 51.8%, Islandsbanki Bank - 17.2% (nominee), Arbejdsmarkedets Tillægspension (ATP) - 5.5%, State Street Bank - 4.8%, SEB Stockholm - 2.2% (nominee, of which the vast majority is held by Lannebo Fonder), Landsbankinn Bank - 2.1% (nominee), SEB SV SMABOL - 1.4%, Clearstream - 1.3% (nominee), Verdipapirfond Odin Norden - 1.1% and JP Morgan Bank - 1.1% (nominee). William Demant Invest A/S (WDI) ownership in Össur exceeded 50% in January 2018. According to WDI's announcement at the time, their intention is to hold 50-60% of Össur's shares going forward and WDI has no intention of taking over Össur or delisting Össur's shares from Nasdaq Copenhagen. Furthermore, WDI has no intention of making changes to Össur's strategy, management or operations.

Statement by the Board of Directors and President and CEO

In 2020, Össur acquired in total 1,295,450 shares at the average price of DKK 48.57. 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. The Company's purchases under the program are announced every Monday for the previous week. The purpose of the program is to reduce the Company's share capital and adjust the capital structure by distributing capital to shareholders in line with the Company's Capital Structure and Dividend Policy in addition to being able to meet the Company's share option obligations. It should be noted that the share buyback program was temporarily put on hold on 17 March 2020. Share options contracts amounting to 1,375,000 Össur shares were exercised during the year.

The Company follows the Danish Recommendations for Corporate Governance issued by the Danish Committee on Corporate Governance, available at: <https://corporategovernance.dk/>. The Board of Directors complies with the Articles of Association of the Company and the Board of Directors' Rules of Procedure, which address the Board's roles and responsibilities etc. The Board of Directors is composed of five members elected at each Annual General Meeting for a term of one year. The Board of Directors consists of two women and three men in compliance with Icelandic law on gender ratio. No Össur employee sits on the Board of Directors. The Audit Committee complies with the Committee's Rules of procedures, which address the Committee's roles and responsibilities etc. The Audit Committee is composed of three members elected by the Board. The CEO manages the Company's daily operations. The Board has approved an Equal Opportunity Policy that prohibits all discrimination. The policy is available on the Company's website: <https://corporate.ossur.com/corporate/careers/equal-opportunity-policy> - and reporting on the progress and objectives of the Policy is made in the Company's Corporate Social Responsibility report available on the Company's website: <https://corporate.ossur.com/corporate/our-responsibility> . 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://corporate.ossur.com/corporate/investor-relations/corporate-governance>

The Board of Directors will not propose to the Annual General Meeting in 2021 to reduce the share capital because the Company acquired a limited number of shares in 2020 and they will all be used to fulfill obligations under share option agreements that have vested or will be vesting in 2021. The Board of Directors will not propose to the Annual General Meeting in 2021 to pay cash dividend because the Company's level of interest-bearing debt to EBITDA is above the target range of 1.5-2.5x.

Össur's financials 2020 are affected by the Covid-19 world wide pandemic. Össur monitor the development of the COVID-19 pandemic closely with a primary focus on business continuity and the safety of employees and customers. Guidelines from local and global healthcare authorities are being followed.

Sales in 2020 have been negatively impacted in many of Össur's main markets as social distancing and lockdown measures were implemented. As a result, patient flow and referrals have been impacted with O&P clinics (Össur's main customers) subject to various operational challenges leading to reduced operational capacity, postponement of elective surgeries, and access restrictions in hospitals to non-essential care. The combination of these factors had a material short-term negative impact on demand. Some restrictions are still in place, but O&P clinics have gradually been increasing their operational capacity. O&P clinicians have started to be vaccinated in some regions where they work closely with hospitals. It should be noted that the long-term prospects or underlying fundamental drivers of the prosthetics and B&S markets are not expected to change. The impact from COVID-19 is expected to lead to some pent-up demand.

Statement by the Board of Directors and President and CEO

Further information can be found in notes in the Company's Consolidated Financial Statement.

The Board of Directors and President and CEO of Össur hf. hereby confirm the Consolidated Financial Statements of Össur for the year 2020 with their signatures.

Reykjavík, 2 February 2021

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristján T. Ragnarsson

Guðbjörg Edda Eggertsdóttir

Svafa Grönfeldt

President and CEO

Jón Sigurðsson

Independent auditor's report

To the Shareholders of Össur hf.

Opinion

We have audited the Consolidated Financial Statements of Össur hf. and its subsidiaries (the Company), which comprise the Consolidated Balance Sheet as at December 31, 2020, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity for the year then ended, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the Company financial position at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

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

Key Audit Matters

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

Impairment of goodwill

Book value of goodwill at year end amounted to 612 million. The change in goodwill consist of provisional additions due to current year acquisitions and adjustments to prior year provisional values amounting to 80.9 million, derecognition on disposal of subsidiary amounting to 5.2 million and currency difference gain amounting to 15.5 million. The management consider that each geographical segment constitutes its own cash generating unit ('CGU'). The key assumptions applied by the managements in the impairment reviews are segment specific discount rates; future revenue growth; and expected future margins. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates regarding the future cash flows, discount rates and long-term growth rates based on management's view of future business prospects. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates regarding the future cash flows, discount rates and long-term growth rates based on management's view of future business prospects.

Independent auditor's report

Due to the relative sensitivity of certain inputs to the impairment testing process, in particular the future cash flows of the CGUs noted above, the valuation of goodwill is considered a key audit matter.

In order to address this key audit matter, we audited the assumptions used in the impairment model for goodwill. As part of our work, we engaged our internal specialists to assist with:

- Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units (CGU's) complies with the requirements of IAS 36 Impairment of Assets.
- Validating the assumptions used to calculate the discount rates and recalculating these rates.
- Considering the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 December 2020 and comparing the forecast growth trends to historic trends.
- Comparing the long-term growth rates for each CGU to external market data.
- Evaluating the appropriateness of the sensitivity analysis applied by management to the impairment testing model including considering whether the scenarios reasonably represent possible changes in key assumptions.
- Performing further sensitivity analysis based on recent trading activity and our understanding of the future prospects to identify whether these scenarios could give rise to further impairment; and
Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU's.

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

Other information

Management is responsible for other information. Other information consists of Statement by the Board of Directors and President and CEO. Our opinion on the Consolidation Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon except the confirmation regarding Statement of Board of Director and President and CEO as stated below. In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the information in the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management and those charged with governance is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, additional Danish disclosure requirements for listed companies and additional requirements in the Icelandic Financial Statement Act no. 3/2006, and for such internal control as management and those charged with governance determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management and those charged with governance is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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

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

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

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

Independent auditor's report

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte was appointed auditor of Össur hf. by the general meeting of shareholders on 12 March 2020. Deloitte have been elected since the Company's founding in 1971.

Kópavogur, 2 February 2021

Deloitte ehf.

Eyþór Guðjónsson

State Authorized Public Accountant

Guðmundur Örn Árnason

State Authorized Public Accountant

Financial Highlights and Key Ratios

USD millions		2020	2019	2018	2017	2016
Income Statement						
Net sales		630	686	613	569	521
Gross profit		391	439	387	355	328
Operating expenses (excl. other income / exp.)		338	341	304	280	256
EBITDA		93	141	107	97	94
EBITDA before special items		93	150	115	103	98
EBIT		28	98	79	75	72
Net profit		8	69	80	58	51
Sales growth						
Sales growth USD	%	(8)	12	8	9	8
Growth breakdown:						
Organic growth in LCY	%	(10)	5	5	5	4
Currency effect	%	0	(4)	1	0	(1)
Acquired/divested business	%	2	11	2	4	5
Balance Sheet						
Total assets		1,214	1,091	914	793	746
Equity		577	569	538	500	467
Net interest-bearing debt (NIBD)		381	302	180	121	119
Cash Flow						
Cash generated by operations		119	120	92	90	88
Free cash flow		68	63	39	55	42
Key ratios						
Gross profit margin	%	62	64	63	62	63
EBIT margin	%	4	14	13	13	14
EBITDA margin	%	15	21	18	17	18
EBITDA margin before special items	%	15	22	19	18	19
Equity ratio	%	48	52	59	63	63
Net debt to EBITDA before special items		4.1	2.0	1.6	1.2	1.2
Effective tax rate	%	38	24	18	16	25
Return on equity	%	1	12	15	12	11
CAPEX / Net sales	%	3.8	4.6	5.0	3.4	4.7
Full time employees at period end		3,385	3,449	3,147	2,990	2,799
Full time employees on average		3,505	3,382	2,775	2,948	2,710
Market						
Market value of equity		3,380	3,340	2,055	1,871	1,582
Number of shares in millions		423	425	431	437	443
Diluted EPS in US cents		1.9	16.2	18.7	13.3	11.6

Consolidated Income Statement

All amounts in USD '000	Notes	2020	2019
Net sales	3	629,503	686,264
Cost of goods sold		(238,268)	(247,614)
Gross profit		391,235	438,650
Other income / (expenses)	6	(24,978)	196
Sales and marketing expenses		(229,285)	(233,746)
Research and development expenses		(31,018)	(31,326)
General and administrative expenses		(77,666)	(76,050)
Earnings before interest and tax (EBIT)		28,288	97,724
Financial income		1,230	1,405
Financial expenses		(10,918)	(10,129)
Net exchange rate difference		(5,880)	1,269
Net financial income / (expenses)	9	(15,568)	(7,455)
Earnings before tax (EBT)		12,720	90,269
Income tax	10	(4,799)	(21,395)
Net profit		7,921	68,874
Attributable to:			
Owners of the Company		6,214	66,040
Non-controlling interests		1,707	2,834
Net profit		7,921	68,874
Earnings per share	11		
Earnings per share (US cent)		1.9	16.3
Diluted earnings per share (US cent)		1.9	16.2

Consolidated Statement of Comprehensive Income

All amounts in USD '000	2020	2019
Net profit	7,921	68,874
Items that may be reclassified subsequently to profit or loss:		
Change in cash flow hedges	(400)	1,428
Exchange differences on translating foreign operations	10,521	(317)
Acc.transl.diff. reclassified to profit or loss on disposal of foreign operations	3,155	0
Income tax relating to components of other comprehensive income	1,989	(716)
Other comprehensive income, net of income tax	15,265	395
Total comprehensive income	23,186	69,269
Attributable to:		
Owners of the Company	21,479	66,435
Non-controlling interests	1,707	2,834
Total comprehensive income	23,186	69,269

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.12.2020	31.12.2019
Property, plant and equipment	12	58,466	65,194
Right of use assets	13	112,909	98,218
Goodwill	14	612,191	521,046
Other intangible assets	15	59,502	62,658
Investment in associates	16	13,352	6,099
Other financial assets	17	3,941	2,998
Deferred tax assets	26	27,512	27,081
Non-current assets		887,873	783,294
Inventories	18	93,231	112,013
Accounts receivables	19	98,353	106,588
Other assets	20	32,511	30,168
Bank balances and cash equivalents	21	102,363	58,611
Current assets		326,458	307,380
Total assets		1,214,331	1,090,674

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	31.12.2020	31.12.2019
Issued capital and share premium	22	74,871	77,813
Reserves		(31,514)	(47,108)
Retained earnings		529,155	533,661
Equity attributable to owners of the Company		572,512	564,366
Non-controlling interest		4,678	4,590
Total equity		577,190	568,956
Borrowings	24	339,978	243,928
Lease liabilities	25	108,013	93,010
Deferred tax liabilities	26	26,053	29,670
Provisions	27	7,955	6,535
Deferred income	28	6,739	6,801
Other financial liabilities	29	1,098	698
Non-current liabilities		489,836	380,642
Borrowings	24	17,545	7,193
Lease liabilities	25	17,857	16,089
Accounts payable		20,024	26,675
Income tax payable		4,160	13,054
Provisions	27	11,369	9,438
Accrued salaries and related expenses		38,226	41,244
Other liabilities	31	38,124	27,383
Current liabilities		147,305	141,076
Total equity and liabilities		1,214,331	1,090,674

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	2020	2019
Earnings before interests and tax (EBIT)		28,288	97,724
Depreciation, amortization and impairment	12, 13, 14, 15	64,699	43,556
Change in inventories		12,750	(14,667)
Change in receivables		18,445	(11,226)
Change in payables		(7,905)	898
Other operating activities		2,259	3,694
Cash generated by operations		118,536	119,979
Interest received		1,086	1,533
Interest paid		(10,441)	(10,129)
Income tax paid		(16,940)	(16,104)
Net cash provided by operating activities		92,241	95,279
Purchase of fixed and intangible assets	12, 15	(24,022)	(31,850)
Acquisition / divestment of subsidiaries, net of cash in acq. entities	32	(76,286)	(30,447)
Dividend received		0	134
Other investing activities		(6,141)	(201)
Cash flows to investing activities		(106,449)	(62,364)
Proceeds from long-term borrowings		74,881	55,202
Repayments of long-term borrowings		(30,629)	(21,580)
Changes in revolving credit facility		23,421	(31,685)
Payment of dividends		(9,276)	(9,058)
Increase in subsidiaries that does not affect control		(2,546)	(258)
Dividends from subsidiaries paid to non-controlling interests		(48)	(1,318)
Change in treasury shares		(3,943)	(20,601)
Cash flows from / (to) financing activities		51,860	(29,298)
Net change in cash		37,652	3,617
Effects of exchange rate changes on:			
Balance of cash held in foreign currencies		1,965	(677)
Other items held in foreign currencies		4,135	(35)
Cash at beginning of period		58,611	55,706
Cash at end of period		102,363	58,611

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2019	4,811	88,956	1,267	3,285	(627)	(50,321)	487,090	534,461	3,076	537,537
Effect of implementation of IFRS 16							(7,797)	(7,797)		(7,797)
Adjusted balance at 1 January 2019	4,811	88,956	1,267	3,285	(627)	(50,321)	479,293	526,664	3,076	529,740
Net profit							66,040	66,040	2,834	68,874
Change in cash flow hedges					1,143			1,143		1,143
Transl. diff. of shares in subsidiaries						(748)		(748)		(748)
Total comprehensive income	0	0	0	0	1,143	(748)	66,040	66,435	2,834	69,269
Payment of dividends							(9,058)	(9,058)	(1,318)	(10,376)
Share option charge for the period				1,063				1,063		1,063
Share option vested during the period	21	14,102		(2,170)			(2,356)	9,597		9,597
Change in non-controlling interests							(258)	(258)	(2)	(260)
Purchase of treasury shares	(38)	(30,039)						(30,077)		(30,077)
Balance at 31 December 2019	4,794	73,019	1,267	2,178	516	(51,069)	533,661	564,366	4,590	568,956
Net profit							6,214	6,214	1,707	7,921
Change in cash flow hedges					(320)			(320)		(320)
Transl. diff. of shares in subsidiaries						12,430		12,430		12,430
Acc.transl.diff. reclassified to profit or loss on disposal of subsidiaries						3,155		3,155		3,155
Total comprehensive income	0	0	0	0	(320)	15,585	6,214	21,479	1,707	23,186
Payment of dividends							(9,276)	(9,276)	(48)	(9,324)
Share option charge for the period				1,321				1,321		1,321
Share option vested during the period	11	6,357		(992)			(10)	5,366		5,365
Change in non-controlling interests							(1,434)	(1,434)	(1,179)	(2,613)
Purchase of treasury shares	(10)	(9,299)						(9,309)		(9,309)
Minority interest arising on acquisition								0	(391)	(391)
Balance at 31 December 2020	4,794	70,077	1,267	2,507	196	(35,484)	529,155	572,512	4,678	577,190

In June 2016 the Icelandic Parliament passed a legal reform of the Icelandic Financial Statements Act no. 3/2006 which became effective on January 1, 2016. The requirement is that retained earnings are separated into two categories: restricted and unrestricted retained earnings. Unrestricted retained earnings consist of undistributed profits and losses accumulated by the Company, less transfers to the Company's statutory reserve and other restricted retained earnings categories. The amount of restricted retained earnings is USD 307 million at year end (2019: USD 300 million).

Notes to the Consolidated Financial Statements

1. General information

Össur is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Grjothals 5, Reykjavik. Its ultimate controlling party is William Demant Invest A/S. The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Company" or "Össur").

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

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

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 2 February 2021. The Consolidated Financial Statements as presented in this report are subject to approval by the Annual General Meeting of Shareholders, to be held on 8 March 2021.

The Company is listed on the Nasdaq Copenhagen Stock Exchange.

2. Quarterly statements

	Unaudited				
	Full year 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net sales	629,503	169,571	171,786	134,553	153,593
Cost of goods sold	(238,268)	(60,230)	(63,897)	(56,391)	(57,750)
Gross profit	391,235	109,341	107,889	78,162	95,843
Gross profit margin	62%	64%	63%	58%	62%
Other income / (expenses)	(24,978)	(8,823)	(662)	(15,550)	57
Sales and marketing expenses	(229,285)	(59,664)	(57,689)	(53,525)	(58,407)
Research and development expenses	(31,018)	(8,435)	(7,731)	(7,429)	(7,423)
General and administrative expenses	(77,666)	(22,336)	(16,987)	(18,776)	(19,567)
EBIT	28,288	10,083	24,820	(17,118)	10,503
Net financial income / (expenses)	(9,688)	(2,303)	(2,603)	(2,710)	(2,072)
Net exchange rate difference	(5,880)	(4,073)	(1,905)	(842)	940
EBT	12,720	3,707	20,312	(20,670)	9,371
Income tax	(4,799)	190	(5,437)	2,774	(2,326)
Net profit / (loss)	7,921	3,897	14,875	(17,896)	7,045
EBITDA	92,987	23,644	35,549	12,060	21,734
EBITDA margin	15%	14%	21%	9%	14%

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

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.

No special items are shown in 2020 despite cost related to divestments, acquisitions and legal settlements (USD 11 million) as this year's whole operation can be considered extraordinary due to COVID-19.

Notes to the Consolidated Financial Statements

3. Net sales

	2020	2019
Specified according to geographical segments:		
Americas	307,135	327,503
EMEA	266,902	304,002
APAC	55,466	54,759
Total	629,503	686,264
Specified according to product lines:		
Prosthetics	372,058	378,072
Bracing and Supports	257,445	308,192
Total	629,503	686,264

All sales are from contracts with customers.

Timing of revenue recognition

Revenues from additional sold warranties and service checks included in standard warranties are released over warranty period. Refer to note 39.7 for accounting policy on revenue recognition and note 28 for breakdown of revenues recognised over time and amounts deferred and released during the year. All other revenues are released at point in time.

4. Segment information

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

2020	Americas	EMEA	APAC	Eliminations	Consolidated
Sales					
External sales	307,135	266,902	55,466	0	629,503
Inter-segment sales	90,941	360,397	8,625	(459,963)	(0)
Total sales	398,076	627,299	64,091	(459,963)	629,503
Results					
Segment results	5,878	14,920	7,489	0	28,288
Net financial income / (expenses)					(15,568)
EBT					12,720
Income tax					(4,799)
Net profit					7,921

Balance sheet 31.12.2020

Assets					
Segment assets	616,806	539,113	58,412	0	1,214,331
Liabilities					
Segment liabilities	151,706	468,843	16,592	0	637,141
Other information 2020					
Capital additions	3,164	18,558	2,300	0	24,022
Depreciation and amortization	17,728	45,634	1,337	0	64,699

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

Notes to the Consolidated Financial Statements

2019	Americas	EMEA	APAC	Eliminations	Consolidated
Sales					
External sales	327,503	304,002	54,759	0	686,264
Inter-segment sales	105,717	405,428	8,900	(520,045)	0
Total sales	433,220	709,430	63,659	(520,045)	686,264
Results					
Segment results	43,710	43,356	10,657	0	97,724
Net financial income/(expenses)					(7,455)
EBT					90,269
Income tax					(21,395)
Net profit					68,874
Balance sheet 31.12.2019					
Assets					
Segment assets	588,071	451,795	50,808	0	1,090,674
Liabilities					
Segment liabilities	147,361	362,729	11,628	0	521,718
Other information 2019					
Capital additions	4,437	26,451	962	0	31,850
Depreciation, impairment and amortization	16,101	26,440	1,015	0	43,556

5. Sales and expenses split by main currencies

	2020			2019		
	LCY	USD	%	LCY	USD	%
Sales						
USD	293,548	293,548	47%	311,841	311,841	45%
EUR	120,125	136,888	22%	144,979	162,345	24%
ISK	277,592	2,056	0%	240,947	1,966	0%
Nordic curr. (SEK, NOK, DKK)		91,602	14%		96,374	14%
Other (GBP, AUD, CAD & Other)		105,409	17%		113,738	17%
Total		629,503	100%		686,264	100%
COGS and OPEX						
USD	293,249	293,249	49%	264,326	264,326	45%
EUR	103,458	117,080	19%	101,972	114,185	19%
ISK	8,176,402	60,642	10%	7,780,363	63,493	11%
Nordic curr. (SEK, NOK, DKK)		84,001	14%		85,345	15%
Other (GBP, MXN, CAD & Other)		46,244	8%		61,191	10%
Total		601,215	100%		588,540	100%

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

6. Other income / (expenses)

Other income / (expenses) consists mainly of cost related to divestment of subsidiaries, as described in note 32.

Notes to the Consolidated Financial Statements

7. Salaries

	2020	2019
Salaries	219,485	227,634
Salary-related expenses	49,258	51,087
	268,743	278,721

Included in salary-related expense are pension related expenses amounting to USD 14.0 million (2019: USD 14.8 million).

Full time employees (FTE) on average	3,505	3,382
Full time employees at period end	3,385	3,449

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

	2020	2019
Cost of goods sold	65,201	70,041
Sales and marketing expenses	137,396	140,231
Research and development expenses	20,422	21,841
General and administrative expenses	45,724	46,607
	268,743	278,721

Management salaries and benefits

Board of Directors:	Salaries		Shares owned ⁽ⁱⁱ⁾	
	2020	2019	2020	2019
Niels Jacobsen - Chairman of the Board ⁽ⁱ⁾	100	97	219,493,992	219,493,992
Kristján Tómas Ragnarsson - Vice Chairman	60	58	0	0
Arne Boye Nielsen	40	39	0	0
Guðbjörg Edda Eggertsdóttir	40	39	26,318	26,318
Svafa Grönfeldt	40	39	0	0

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

(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 (2019: 203,330 shares).

(ii) Shares owned are displayed in total number of owned shares, not rounded to the nearest thousand.

Notes to the Consolidated Financial Statements

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

2019	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurðsson President and CEO ⁽ⁱ⁾	1,083	289	0	177	145	1,694
Executive management (6 people) ⁽ⁱⁱ⁾	2,020	236	218	107	514	3,096
	3,103	525	218	285	659	4,790

(i) Shares owned by Jón Sigurðsson 899,474 (2019: 525,540)

(ii) Shares owned by members of executive management at year end 918,759 (2019: 918,159).

8. Fees to auditors

	2020	2019
Audit of Financial Statements	1,459	1,489
Other services	592	726
	2,051	2,215

9. Financial income / (expenses)

	2020	2019
Interests on bank deposits	459	1,021
Share in profit of associated companies	290	258
Other financial income	481	126
Financial income	1,230	1,405
Interests on loans	(5,158)	(4,350)
Interest on leases	(4,453)	(3,984)
Other financial expenses	(1,307)	(1,795)
Financial expenses	(10,918)	(10,129)
Net exchange rate differences	(5,880)	1,269
Net financial expenses	(15,568)	(7,455)

Accumulated translation difference amounting to USD 3.2 million loss, relating to divestment of subsidiaries, has been reclassified from equity to net exchange difference.

Notes to the Consolidated Financial Statements

10. Income tax

	2020	2019
Current tax expenses	(9,002)	(22,640)
Deferred tax expenses	4,203	1,245
	(4,799)	(21,395)

	2020		2019	
	Amount	%	Amount	%
Earnings before taxes	12,720		90,269	
Income tax calculated at 20%	(2,544)	20%	(18,054)	20%
Effect of different tax rates of other jurisdictions	224	(2%)	(3,692)	4%
Effect of non-deductible expenses / non-taxable income	(3,137)	25%	221	(0%)
Effect of change in tax rate	(41)	0%	(14)	0%
Other effects	699	(5%)	144	(0%)
	(4,799)	38%	(21,395)	24%

The 20% tax rate used for 2020 and 2019 in the above tax rate reconciliation is the statutory corporate income tax rate applicable to entities subject to tax in Iceland. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax:	2020	2019
Origination and reversal of temporary differences	4,162	1,259
Effect of changes in tax rate	41	(14)
	4,203	1,245

Notes to the Consolidated Financial Statements

Deferred tax recognized in the Consolidated Income Statement:

2020	1.1.2020	Recognized in Income Statement	Recognized directly in equity	Acquisitions / disposals	Exc. rate difference	31.12.2020
Goodwill	(7,617)	(2,449)			(56)	(10,122)
Intangible assets	(9,638)	3,118		(1,133)	(257)	(7,910)
Property, plant and equipment	(2,888)	858		81	(30)	(1,979)
Tax loss carry forward	836	3,001		(1,051)	111	2,897
Inventories	5,818	(1,484)		(4)	7	4,337
Provisions	2,159	(46)		(8)	46	2,151
Current liabilities	3,996	182		643	(7)	4,814
Receivables	1,485	266		232	10	1,993
Other	3,260	757	1,559	(316)	18	5,278
Total	(2,589)	4,203	1,559	(1,556)	(158)	1,459

2019	1.1.2019	Recognized in Income Statement	Recognized directly in equity	Acquisitions / disposals	Exc. rate difference	31.12.2019
Goodwill	(5,554)	(2,079)			16	(7,617)
Intangible assets	(6,964)	(950)		(1,732)	8	(9,638)
Property, plant and equipment	(3,657)	762			7	(2,888)
Tax loss carry forward	709	307	(314)	135	(1)	836
Inventories	4,334	1,466			18	5,818
Provisions	1,651	499			9	2,159
Current liabilities	2,867	429		737	(37)	3,996
Receivables	832	694			(41)	1,485
Other	715	117	2,466		(38)	3,260
Total	(5,067)	1,245	2,152	(860)	(59)	(2,589)

The Company has unused tax losses available for which no deferred tax asset is recognized. At year end 2020 these unused tax losses amount to USD 15.1 million (2019: USD 5.3 million). Of this amount, USD 6.5 million of unused tax losses will expire in 5-10 years (2019: USD 3.3 million). The remaining tax losses carry an indefinite term.

11. Earnings per share

	2020	2019
Net profit	7,921	68,874
Total weighted average number of ordinary shares (in '000)	421,775	423,384
Total weighted avg. number of shares incl. potential shares (in '000)	422,725	424,571
Earnings per share (US cent)	1.9	16.3
Diluted earnings per share (US cent)	1.9	16.2

Notes to the Consolidated Financial Statements

12. Property, plant and equipment

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

Depreciation classified by functional category:	2020	2019
Cost of goods sold	9,925	9,303
Sales and marketing expenses	3,328	3,551
Research and development expenses	1,190	1,219
General and administrative expenses	3,883	3,423
Total	18,326	17,496

2019	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	Total
Cost					
At 1 January	12,711	93,436	45,212	16,313	167,671
Reclassification	0	(1,734)	1,707	27	0
Additions	0	10,339	6,410	3,140	19,889
Acquired on acquisition of subsidiary	0	126	443	14	583
Exchange rate differences	(210)	(647)	(16)	(156)	(1,029)
Eliminated on disposal	(3)	(2,266)	(956)	(1,331)	(4,556)
Fully depreciated assets	0	(9,614)	(3,931)	(1,918)	(15,463)
At 31 December 2019	12,498	89,640	48,869	16,089	167,095
Depreciation					
At 1 January	9,464	59,532	25,043	10,600	104,639
Reclassification	0	(1,304)	1,266	38	0
Charge for the period	291	9,424	5,055	2,726	17,496
Exchange rate differences	(190)	(507)	(57)	146	(608)
Eliminated on disposal	(2)	(1,921)	(931)	(1,309)	(4,163)
Fully depreciated assets	0	(9,614)	(3,931)	(1,918)	(15,463)
At 31 December 2019	9,563	55,610	26,445	10,283	101,901
At 31 December 2019	2,935	34,030	22,424	5,806	65,194

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

Notes to the Consolidated Financial Statements

13. Right of use assets

2020	Buildings & sites	Machinery & equipment	Total
Cost			
At 1 January	109,166	5,710	114,876
Additions	19,354	794	20,148
Acquired on acquisition of subsidiary	12,212	0	12,212
Exchange rate differences	4,620	511	5,131
Divestments	(4,029)	(1,219)	(5,248)
At 31 December 2020	141,323	5,796	147,119
Depreciation			
At 1 January	14,375	2,283	16,658
Charge for the period	16,545	1,910	18,455
Exchange rate differences	1,281	334	1,615
Divestments	(2,052)	(466)	(2,518)
At 31 December 2020	30,149	4,061	34,210
At 31 December 2020	111,174	1,735	112,909
Depreciation classified by functional category:			
		2020	2019
Cost of goods sold		7,381	6,625
Sales and marketing expenses		3,690	3,312
Research and development expenses		2,214	1,987
General and administrative expenses		5,170	4,654
Total		18,455	16,578
Amounts recognized in Income Statement:			
		2020	2019
Depreciation expense from right of use assets		18,455	16,578
Interest expense and exchange difference on lease liabilities		4,453	3,327
Short-term and low value lease expenses not included in lease liabilities		681	1,151
Total		23,589	21,056
2019	Buildings & sites	Machinery & equipment	Total
Cost			
At 1 January	84,144	4,316	88,460
Additions	18,802	1,466	20,268
Acquired on acquisition of subsidiary	8,065	0	8,065
Exchange rate differences	(1,845)	(72)	(1,917)
At 31 December 2019	109,166	5,710	114,876
Depreciation			
At 1 January	0	0	0
Charge for the period	14,306	2,272	16,578
Exchange rate differences	69	11	80
At 31 December 2019	14,375	2,283	16,658
At 31 December 2019	94,791	3,427	98,218

Notes to the Consolidated Financial Statements

14. Goodwill

	2020	2019
At 1 January	521,046	500,842
Arising on acquisition of subsidiaries	87,733	30,098
Purchase price allocation	(6,815)	(8,093)
Exchange rate differences	15,474	(1,801)
Impairment	(5,247)	0
At 31 December	612,191	521,046

The initial accounting for the acquisitions has been provisionally determined at balance sheet date. The fair value of assets and liabilities related to recent acquisitions has been provisionally determined to be around USD 2 million based on management's best estimate. Fair value changes related to prior year acquisitions amounted to USD 1.7 million.

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

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

	WACC %	31.12.2020	31.12.2019
Americas	8.1 / 9.6	383,011	348,534
EMEA	8.1 / 8.8	211,652	156,442
APAC	9.0 / 9.9	17,528	16,070
Total		612,191	521,046

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 2021 approved by management and the Board of Directors. The discount rate of 8.1 - 9.0% (2019: 8.8 - 9.9%) per annum was used.

Cash flow projections in the forecast are based on the same expected gross margins and raw material prices throughout the period. Cash flows beyond 2025 have been extrapolated using a steady 2,5% per annum growth rate for all cash-generating units. This growth rate does not exceed the long-term average growth rate for the market in each market area. Management believes that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount. Management believes that COVID-19 has only short-term impact on the Company's financials and does not expect changes in long-term market fundamentals.

Notes to the Consolidated Financial Statements

15. Other intangible assets

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

Amortization and impairment classified by functional category:	2020	2019
Cost of goods sold	144	814
Other Income / (expenses)	11,327	0
Sales and marketing expenses	6,703	4,924
Research and development expenses	1,473	1,521
General and administrative expenses	3,024	2,223
Total	22,671	9,482

During the year management decided to divest the Gibaud SAS subsidiary. Following the decision the Gibaud trademark was impaired. The impairment is shown as part of other income / (expenses) in the Income Statement 2020.

Notes to the Consolidated Financial Statements

2019	Cust./distrib relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	37,717	14,009	16,370	47,094	115,190
Additions	0	0	0	3,409	3,409
Additions - internally generated	0	0	0	8,552	8,552
Acquired on acquisition of subsidiary	0	2,461	0	4	2,465
Purchase price allocation	11,063	0	(2,366)	0	8,697
Fully amortized assets	(5,251)	(321)	0	(10,945)	(16,517)
Exchange rate differences	(546)	108	(198)	(41)	(677)
At 31 December 2019	42,983	16,257	13,806	48,073	121,119
Amortization					
At 1 January	31,218	3,508	334	31,020	66,080
Charge for the period	3,305	895	0	5,282	9,482
Fully amortized assets	(5,251)	(321)	0	(10,945)	(16,517)
Exchange rate differences	(215)	18	61	(448)	(584)
At 31 December 2019	29,057	4,100	395	24,909	58,461
At 31 December 2019	13,926	12,157	13,411	23,164	62,658

16. Investment in associates

	2020	2019
At 1 January	6,099	5,998
Additions due to acquisition	6,850	0
Share in net profit	290	258
Dividend received	0	(134)
Exchange rate differences	113	(23)
At 31 December	13,352	6,099

17. Other financial assets

	31.12.2020	31.12.2019
Restricted cash	421	1,185
Other financial assets	3,520	1,813
	3,941	2,998

Notes to the Consolidated Financial Statements

18. Inventories

	31.12.2020	31.12.2019
Raw material	24,120	29,280
Work in progress	11,812	12,098
Finished goods	57,299	70,635
	93,231	112,013

Inventories of USD 13.5 million (2019: USD 14.1 million) are expected to be sold or used in production after more than twelve months.

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions amounting to USD 24.3 million (2019: USD 27.9 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of USD 5.7 million (2019: USD 6.5 million) is made in the Consolidated Financial Statements to adjust income tax expense.

The cost of inventories recognized as an expense includes USD 2.1 million (2019: USD 2.0 million) in respect of write-downs of inventory to net realizable value. Reserve for obsolete inventories at year end is USD 5.5 million compared to USD 3.7 million in 2019.

19. Accounts receivables

	31.12.2020	31.12.2019
Nominal value	103,019	110,381
Allowances for doubtful accounts	(4,666)	(3,793)
	98,353	106,588

The average credit period on sales of goods is 46.9 days (2019: 46.4 days). Allowance has been made for doubtful accounts, this allowance has been determined by management in reference to future expectations. Management considers that the carrying amount of receivables approximates their fair value.

Movement in the allowance for doubtful accounts	2020	2019
At 1 January	(3,793)	(5,115)
Impairment (losses)/gains recognized on receivables	(1,397)	1,041
Amounts written off as uncollectable	561	258
Exchange rate difference	(37)	23
At 31 December	(4,666)	(3,793)

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

Notes to the Consolidated Financial Statements

	31.12.2019		
	Gross carrying amount at default	Allowance (lifetime ECL)	Net carrying amount
Accounts receivables			
Not past due	73,252	223	73,029
Less than six months past due	33,497	335	33,162
Six to twelve months past due	957	560	397
More than twelve months past due	2,675	2,675	0
	110,381	3,793	106,588

The expected credit loss (ECL) on trade receivables is estimated using a provision matrix by reference to past default experience, general economic conditions and an assessment of both the current as well as expected conditions, including time value of money where appropriate. Individual allowance and adjustments to the collective bad debt provision are made based on the individual assessment of customers' situation and probability of incoming payments. Refer to note 39.17 for further details.

Due to the Covid-19 pandemic payment terms have been extended resulting in higher risk of bad debt. The expected credit loss rate was increased due to this uncertainty. The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

20. Other assets

	31.12.2020	31.12.2019
Prepaid expenses	12,844	14,761
Receivables related to divestment of subsidiaries	10,924	0
VAT refundable	2,719	9,670
Other	6,024	5,737
	32,511	30,168

21. Bank balances and cash equivalents

	31.12.2020	31.12.2019
Bank accounts	102,236	58,290
Cash and other cash equivalents	127	321
	102,363	58,611

To mitigate the liquidity risk due to COVID-19, the Company secured additional financing of USD 225 million. At period end the Company had a total liquidity of USD 275.6 million, consisting of undrawn revolving credit facilities of USD 173.2 million (2019: USD 32.4 million) and cash and cash equivalents of USD 102.4 million.

Notes to the Consolidated Financial Statements

22. Issued capital and share premium

Common stock is as follows in thousands of shares:

	Issued shares	Treasury shares	Total
Balance at 1 January 2019	430,808	(6,705)	424,103
Cancellation of own shares	(5,430)	5,430	0
Sold treasury shares		2,700	2,700
Purchased treasury shares		(4,785)	(4,785)
Balance at 31 December 2019	425,378	(3,360)	422,018
Cancellation of own shares	(2,378)	2,378	0
Sold treasury shares		1,375	1,375
Purchased treasury shares		(1,295)	(1,295)
Balance at 31 December 2020	423,000	(902)	422,098

In 2020, Össur acquired in total 1,295,450 shares at the average price of DKK 48.57 in the following share buyback programs:

	Start Date	End Date	Shares	Average Share Price
Acquired own shares	26 Nov 2019	14 Feb 2020	955,169	50.15
Acquired own shares	18 Feb 2020	17 Mar 2020	340,281	44.12
Total Össur shares acquired in 2020			1,295,450	48.57

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. The Company's purchases under the program are announced every Monday for the previous week. The purpose of the program is to reduce the Company's share capital and adjust the capital structure by distributing capital to shareholders in line with the Company's Capital Structure and Dividend Policy in addition to being able to meet the Company's share option obligations. It should be noted that the share buyback program was temporarily put on hold on 17 March 2020. Share options contracts amounting to 1,375,000 Össur shares were exercised during the year.

Movement in issued capital is as follows in USD thousands:

	Share capital	Share premium	Total
Balance at 1 January 2019	4,811	88,956	93,767
Sold treasury shares	21	14,102	14,123
Purchased treasury shares	(38)	(30,039)	(30,077)
Balance at 31 December 2019	4,794	73,019	77,813
Sold treasury shares	11	6,357	6,368
Purchased treasury shares	(10)	(9,299)	(9,309)
Balance at 31 December 2020	4,794	70,077	74,871

Notes to the Consolidated Financial Statements

23. Share option contracts

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

Each employee share option converts into one ordinary share on exercise. No amounts are paid or payable by the recipient to the Company on receipt of the option. The options carry neither rights to dividends nor voting rights and are valued using the Black-Scholes pricing model. The expected volatility assumptions used to value the options range from 30.67% to 31.25% and the annual discount rate range from -0.7% to -0.5%. The options expire one year after the exercise date. If a share option vests during a closed period for insider trading the vesting period is automatically extended until the next open window for insider trading.

The following share-based payment arrangements were in existence at balance sheet date:

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)
Issued to Executive Management:					
Jón Sigurðsson President and CEO	1,000,000	2018 - 2020	2021 - 2023	27.7-46.3	28.0-47.5
Members of executive management (2 persons)	450,000	2017	2020	28.1	26.7
Members of executive management (5 persons)	550,000	2018	2021	28.5/27.7	27.7/28.0
Members of executive management (3 persons)	320,000	2019	2022	32.3/45.5	33.5/47.9
Members of executive management (4 persons)	550,000	2020	2023	38.5-46.3	38.6-47.5
	2,870,000				
Issued to management team:					
Three managers	125,000	2017	2020	26.6-30.0	28.4-29.9
Eleven managers	480,000	2018	2021	27.5-32.3	27.7-32.2
Eleven managers	338,000	2019	2022	32.3-49.8	33.5-52.3
Twenty-two managers	650,000	2020	2023	38.5-46.3	38.6-47.5
	1,593,000				
Total issued option contracts	4,463,000				

Movements in share options during the period:

	2020		2019	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at 1 January	3,971,000	29.6	6,013,000	25.6
Granted during period	1,867,000	42.9	768,000	41.4
Forfeited during period	0	0.0	(110,000)	45.5
Exercised during period	(1,375,000)	25.9	(2,700,000)	23.5
Outstanding at 31 December	4,463,000	36.3	3,971,000	29.6

Estimated remaining cost due to the share option contracts is USD 2.5 million. An expense of USD 1.3 million (2019: USD 1.1 million) is recognized in the Income Statement for the period. Exercise period of the share options contracts is 2021-2024.

Notes to the Consolidated Financial Statements

24. Borrowings

	31.12.2020		31.12.2019	
	Current	Non-current	Current	Non-current
Loans in USD	0	99,016	1,262	29,556
Loans in EUR	17,545	125,066	5,931	128,284
Revolver in USD	0	30,000	0	53,000
Revolver in EUR	0	85,896	0	33,088
	17,545	339,978	7,193	243,928

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

Aggregated maturities of borrowings are as follows:

	31.12.2020	31.12.2019
In 2021 / 2020	17,545	7,193
In 2022 / 2021	14,371	9,219
In 2023 / 2022	186,912	147,420
In 2024 / 2023	1,171	31,168
Later	137,524	56,121
	357,523	251,121

Össur has a multicurrency term and revolving credit facility with Nordea and Danske Bank with for a total amount of USD 344.7 million (USD 171.6 million outstanding and USD 173.2 million undrawn). In addition, the Company has two loans with the Nordic Investment Bank for a total amount of USD 102 million and one loan with the European Investment Bank for a total amount of USD 75 million. All loans contain covenants that place various financial and operational restrictions on the Company and are in line with market standards for investment grade rated companies. In order to meet any possible covenant breaches due to COVID-19, the Company put in place a covenant amendment with all its lenders that is in effect throughout 2021. Current weighted average interest terms on floating rate loans are <110 bps +LIBOR/EURIBOR, changing in line with financial leverage.

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

	31.12.2019	Cash flows	Non-cash changes			31.12.2020
			Acquisition	Exchange rate	Transaction cost	
Borrowings	251,121	84,716	5,429	17,016	(760)	357,523

25. Lease liabilities

	31.12.2020		2019	
	Current	Non-current	Current	Non-current
Lease Liabilities in USD	6,290	45,696	5,010	44,137
Lease Liabilities in EUR	4,697	16,668	4,072	14,555
Lease Liabilities in other currencies	6,870	45,649	7,007	34,318
Total	17,857	108,013	16,089	93,010

Aggregated maturities of lease liabilities are as follows:

	31.12.2020	2019
In 2021 / 2020	17,857	16,089
In 2022 / 2021	17,508	15,155
In 2023 / 2022	16,574	13,802
In 2024 / 2023	15,771	13,019
Later	58,160	51,034
Total	125,870	109,099

Notes to the Consolidated Financial Statements

26. Deferred tax asset / (liability)

	2020	2019
At beginning of period	(2,589)	(5,067)
Income tax payable for the period	9,002	22,640
Calculated tax for the period	(4,799)	(21,395)
Arising on acquisition of a subsidiary	(1,556)	(860)
Recognized directly through equity	1,559	2,152
Exchange rate differences	(158)	(59)
At 31 December	1,459	(2,589)
Deferred tax in the Balance Sheet:		
Deferred tax asset	27,512	27,081
Deferred tax liabilities	(26,053)	(29,670)
	1,459	(2,589)

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

31.12.2020	Assets	Liabilities	Net
Goodwill	5,747	(15,869)	(10,122)
Intangible assets	2,281	(10,191)	(7,910)
Property, plant and equipment	453	(2,432)	(1,979)
Tax loss carry forward	3,032	(135)	2,897
Inventories	4,873	(536)	4,337
Provisions	2,151	0	2,151
Current liabilities	5,087	(273)	4,814
Receivables	1,993	0	1,993
Other	5,318	(40)	5,278
Total tax assets / (liabilities)	30,935	(29,476)	1,459
Tax asset and liabilities offsetting	(3,423)	3,423	0
	27,512	(26,053)	1,459
31.12.2019			
Goodwill	5,724	(13,341)	(7,617)
Intangible assets	1,425	(11,063)	(9,638)
Property, plant and equipment	387	(3,275)	(2,888)
Tax loss carry forward	836	0	836
Inventories	6,036	(218)	5,818
Provisions	2,217	(58)	2,159
Current liabilities	5,628	(1,632)	3,996
Receivables	1,564	(79)	1,485
Other	3,850	(590)	3,260
Total tax assets / (liabilities)	27,667	(30,256)	(2,589)
Tax asset and liabilities offsetting	(586)	586	0
	27,081	(29,670)	(2,589)

Notes to the Consolidated Financial Statements

27. Provisions

	Warranty provisions	Other provisions	Total
2020			
At 1 January	5,522	10,451	15,973
Additional provision recognized	5,120	7,751	12,871
Utilization of provision	(4,186)	(5,573)	(9,759)
Exchange rate differences	16	223	239
At 31 December 2020	6,472	12,852	19,324
Non-current	3,116	4,840	7,955
Current	3,357	8,013	11,369
At 31 December 2020	6,472	12,852	19,324
2019			
At 1 January	6,245	7,454	13,699
Additional provision recognized	7,105	7,816	14,921
Utilization of provision	(7,846)	(4,771)	(12,617)
Exchange rate differences	18	(48)	(30)
At 31 December 2019	5,522	10,451	15,973
Non-current	2,776	3,759	6,535
Current	2,746	6,692	9,438
At 31 December 2019	5,522	10,451	15,973

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

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

28. Deferred income

	2020	2019
At 1 January	8,917	5,183
Deferred income	3,789	6,660
Released from deferred income	(3,331)	(2,880)
Exchange rate differences	459	(46)
At 31 December	9,834	8,917
Non-current	6,739	6,801
Current	3,095	2,116
At 31 December	9,834	8,917

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.

Notes to the Consolidated Financial Statements

29. Other financial liabilities

Other financial liabilities consist of fair value of hedge contracts and fair value of a purchase option of minority shares amounting to USD 1.1 million (2019: USD 0.7 million).

30. 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.

One of the Company's distribution companies in the US was sold at the end of the year to associated company.

Transactions and balances with related parties:

	2020	2019
Sales of products	867	873
Purchases	2,188	1,883
Receivables at 31 December	848	422

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

31. Other liabilities

	31.12.2020	31.12.2019
Accrued expenses	17,771	13,513
Sales tax and VAT	4,686	4,144
Deferred income	3,095	2,116
Sales return accrual	1,943	1,840
Other	10,629	5,770
	38,124	27,383

Notes to the Consolidated Financial Statements

32. Business combinations

Acquisition of subsidiaries

Össur made acquisitions during 2020 to strengthen the Company's sales channels. One of the companies has minority shareholders but the others were acquired in full. In the Income Statement of the year 2020, sales amounting to USD 11.9 million and net profit of USD 0.9 million were related to these acquisitions. USD 0.8 million was expensed in relation to the acquisitions during the year and classified as general and administrative expenses in the Income Statement.

The purchase price allocation (PPA) for assets and liabilities acquired in 2019 was finalized during 2020. The initial accounting for the acquisitions at yearend 2020 has been provisionally determined at balance sheet date. The PPA will be finalized in 2021.

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

2020

Assets acquired and liabilities recognized at the date of acquisition:	Book value at acquisition date			Fair value changes	Total fair value
	Americas	EMEA	Total		
Current assets	12,010	18,872	30,882	561	31,443
Non-current assets	3,523	5,215	8,738	7,040	15,778
Non-current liability	0	(15,648)	(15,648)	(786)	(16,434)
Current liabilities	(5,339)	(9,820)	(15,159)	0	(15,159)
Non controlling interest	0	391	391	0	391
	10,194	(990)	9,204	6,815	16,019
Consideration					96,937
Book value of identifiable net assets acquired					(9,204)
Fair value of identifiable net assets acquired					(6,815)
Goodwill arising on acquisition					80,918
Consideration					96,937
Deferred payment					-2,394
Cash from acquired companies					-11,943
Consideration shown in Cash flow					82,600

Össur made acquisitions during 2019 to strengthen the Company's sales channels. One of the companies has minority shareholders but the others were acquired in full. In the Income Statement of the year 2019, sales amounting to USD 8 million and net profit of USD 1.5 million were related to these acquisitions. USD 1.7 million was expensed as special items in relation to the acquisitions during the year and classified as general and administrative expenses in the Income Statement.

Notes to the Consolidated Financial Statements

2019

Assets acquired and liabilities recognized at the date of acquisition:	Book value at acquisition date			Fair value changes	Total fair value
	Americas	EMEA	Total		
Current assets	4,517	2,317	6,834	623	7,457
Non-current assets	617	2,567	3,184	8,533	11,717
Non-current liability	(145)	(105)	(250)	(1,063)	(1,313)
Current liabilities	(1,909)	(1,415)	(3,324)	0	(3,324)
Non controlling interest	0	(226)	(226)	0	(226)
	3,080	3,138	6,218	8,093	14,311
Consideration					36,316
Book value of identifiable net assets acquired					(6,218)
Fair value of identifiable net assets acquired					(8,093)
Goodwill arising on acquisition					22,005
Consideration					36,316
Deferred payment					(5,115)
Cash from acquired companies					(754)
Consideration shown in Cash flow					30,447

In 2020 the Company finalized the purchase price allocation (PPA) relating to acquisitions done in 2019 resulting in fair value changes of 1.7 million, mainly relating to fair value recognition of other intangible assets.

Divestment of subsidiaries

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

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

2020

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

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

There were no disposals of subsidiaries made in 2019.

Notes to the Consolidated Financial Statements

33. Financial instruments

33.1 Capital risk management

The Company manages capital to ensure that affiliates within the consolidation will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2019.

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

Net debt to EBITDA before special items ratio

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:

	31.12.2020	31.12.2019
Net debt	381,030	301,609
EBITDA before special items	92,987	149,622
Net debt/EBITDA before special items	4.1	2.0

33.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 39 to the Consolidated Financial Statements.

33.3 Financial risk management objectives

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

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

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

Notes to the Consolidated Financial Statements

33.4 Foreign currency risk management

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

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

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

	Liabilities		Assets	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
EUR	266,675	208,171	64,731	36,392
USD	222,452	170,490	100,274	93,710
ISK	30,292	29,118	12,699	12,285
SEK	26,634	27,414	13,075	13,260
GBP	5,565	5,115	8,772	7,368
Other	32,310	28,266	37,616	35,349
	583,928	468,576	237,168	198,365

Foreign currency sensitivity analysis

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

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

	EUR ⁽ⁱ⁾		ISK ⁽ⁱⁱ⁾	
	2020	2019	2020	2019
Net profit	1,236	3,709	(3,628)	(4,730)
Equity	(1,248)	576	(2,136)	(746)

(i) 20% (2019: 19%) of the Company's COGS and OPEX is in EUR against 22% (2019: 24%) of its sales causing an increase in profit if the USD decreases against the EUR.

(ii) 10% (2019: 11%) of the Company's COGS and OPEX is in ISK against 0.3% (2019: 0.3%) of its sales causing a decrease in profits if the USD decreases against the ISK.

The Company is hedging approximately 80% of its ISK exposure using forward currency contracts. This is not considered in the above calculations.

Notes to the Consolidated Financial Statements

33.5 Interest rate risk management

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

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

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

33.6 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. To mitigate the liquidity risk due to COVID-19, the Company secured additional financing of USD 225 million. At period end the Company had a total liquidity of USD 275.6 million, consisting of undrawn revolving credit facilities of USD 173.2 million (2019: USD 32.4 million) and cash and cash equivalents of USD 102.4 million.

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

	Weighted average effective interest	Less than 1 year	1-5 years	5+ years	Total
31.12.2020					
Borrowings	1.6%	23,687	353,105	72	376,864
Lease liabilities	4.0%	22,874	77,950	45,978	146,802
Non-interest bearing liabilities	-	96,373	11,410	0	107,784
		142,935	442,465	46,050	631,450
31.12.2019					
Borrowings	1.9%	12,300	255,822	0	268,122
Lease liabilities	3.95%	20,401	67,155	39,826	127,382
Non-interest bearing liabilities	-	95,303	8,393	0	103,696
		128,004	331,370	39,826	499,200

Notes to the Consolidated Financial Statements

33.7 Credit risk management

The Company does not undertake trading activity in financial instruments.

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

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

33.8 Fair value of financial instruments

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

	31.12.2020		31.12.2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Borrowings	357,523	359,041	251,121	251,879

34. Litigation

In November 2019, Vincent Systems GmbH (“Vincent Systems”) filed a patent infringement action against Össur in the US. Vincent Systems contended that Össur willfully infringed a US patent by selling certain products, including i-Digits and i-Limb prosthetic hands. The litigation was settled in Q3 2020.

35. Other information

Unusual conditions caused by the Covid-19 pandemic are resulting in uncertainty in the Company’s economic environment and are impacting the financial performance of the Company. It is, however, the opinion of the Company’s management that this does not effect the Company’s ability to continue operating on a going concern basis. Management believes that COVID-19 has only short-term impact on the Company’s financials and does not changes in long-term market fundamentals.

Notes to the Consolidated Financial Statements

36. The Consolidation

Information about the main composition of the Company at the end of the reporting period is as follows:

Name of company	Place of registration and operation	Ownership %	Principal activity
APC Prosthetics PTY Ltd	Australia	100%	Sales, distribution and services
Össur Americas Inc	USA	100%	Sales, R&D, distribution and services
Össur Australia PTY Ltd	Australia	100%	Sales, distribution and services
Össur Canada Inc	Canada	100%	Sales, distribution and services
College Park Industries, Inc	USA	100%	Sales, distribution and manufacturer
OCH Ortopedi AS	Norway	100%	Sales, distribution and services
Ortos A/S	Denmark	100%	Sales, distribution and services
Össur Deutschland GmbH	Germany	100%	Sales, distribution and services
Össur Europe BV	Netherlands	100%	Sales, distribution and services
Össur France Sarl	France	100%	Sales, distribution and services
Össur Hong Kong Ltd	Hong Kong	100%	Sales, distribution and services
Össur Iceland ehf	Iceland	100%	R&D and manufacturer
Össur Mexico S. de R.L. de C.V.	Mexico	100%	Manufacturer
Össur Nordic AB	Sweden	100%	Sales, distribution and services
Össur Prosth. & Rehabilitation Co Ltd	China	100%	Sales, distribution and services
Össur UK Ltd	UK	100%	Sales, distribution and services
TeamOlmed AB	Sweden	100%	Sales, distribution and services
Touch Bionics Ltd	UK	100%	Manufacturer and R&D

At end of September 2020 Össur completed the divestment of Gibaud SAS in France. Gibaud and Össur will continue to be business partners for a selected B&S product range.

Touch Bionics Ltd, Össur UK Ltd and UK Holding Ltd. are claiming exemption from preparing individual audited accounts based on section 479A of the UK Companies Act 2006.

37. Insurance

	31.12.2020		31.12.2019	
	Insurance value	Book value	Insurance value	Book value
Fixed assets and inventories	244,239	157,196	233,914	180,934

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

Notes to the Consolidated Financial Statements

38. Adoption of new and revised standards

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

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

- Amendments to IFRS 3 - Business Combination, Definition of a business;
- Amendments to IAS 1 - Presentation of Financial Statements & IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors, Definition of 'Material'

38.2 New and revised IFRS standards in issue but not yet effective

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

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

39. Summary of Significant Accounting Policies

39.1 Statement of compliance

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

39.2 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.

39.3 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 considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

Notes to the Consolidated Financial Statements

- 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.

39.4 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;
- 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.

Notes to the Consolidated Financial Statements

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

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

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

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree 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 acquiree 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.

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

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

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

Notes to the Consolidated Financial Statements

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.

39.6 Goodwill

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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.

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 at 39.5 above.

39.7 Revenue recognition

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

Sale of goods and services

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

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

For some Prosthetics products, a service check is included in the standard warranty and is treated as a distinct service and is accounted for as a separate performance obligation. The customer has an option to purchase an additional warranty which is treated as a distinct service because the Company promises to provide the service to the customer in addition to the product and the standard warranty. That warranty is accounted for as a separate performance obligation. Revenues from the sale of additional warranties are deferred when sold and released on a straight-line basis within the warranty period. Revenues from service checks included in the standard warranty are deferred when sold and released when the service has been rendered or the service obligation has ended. Deferred revenues are shown separately within liabilities in the Balance sheet

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

Notes to the Consolidated Financial Statements

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

Royalties

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

Interest revenue and dividend

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

39.8 Right of use asset and lease liabilities

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

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

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

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

Variable rents that depend on usage are not included in the measurement of the lease liability and the right of use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Notes to the Consolidated Financial Statements

39.9 Foreign currencies

For consolidation purposes, the assets and liabilities of the Company's foreign operations are expressed in USD 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 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.

39.10 Share-based payments

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

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

39.11 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.

Notes to the Consolidated Financial Statements

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.

39.12 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.

Notes to the Consolidated Financial Statements

39.13 Intangible assets

Intangible assets acquired separately

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

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

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

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

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.

Notes to the Consolidated Financial Statements

39.14 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.

39.15 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.

39.16 Provisions

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

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

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

Warranties

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

Other

Other provisions are mainly related to restructuring and earnouts related to acquisitions of companies. Restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has started to implement it or announcing its main features to those affected by it. The measurement of a restructuring provision

Notes to the Consolidated Financial Statements

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.

39.17 Financial instruments

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

Effective interest method

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

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

Financial assets

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

Classification of financial assets

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

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

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 39.2.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost and account receivables. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk from initial recognition of the respective financial instrument. The Company measures the collective allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience, general economic conditions and an assessment of both the current as well as expected conditions, including time value of money where appropriate. Individual allowance and adjustments to the collective bad debt provision are made based

Notes to the Consolidated Financial Statements

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 customer segments.

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

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

Derecognition of financial assets

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

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

Financial liabilities

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

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

A financial liability is classified as held for trading if:

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

Derecognition of financial liabilities

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

39.18 Employee benefits

Notes to the Consolidated Financial Statements

Retirement benefit costs and termination benefits

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

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

39.19 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 33.

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

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

Hedge accounting

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

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

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

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

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

Hedges of net investments in foreign operations

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

Notes to the Consolidated Financial Statements

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 Income Statement.

39.20 Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, which are described in note 39, 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 14.

As described in note 39.12, the Company reviews the estimated useful lives of property, plant and equipment at the end of each balance sheet date.

39.21 Government grants

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

