

Össur hf.

Condensed Consolidated
Financial Statements

March 31 2014

Össur hf.
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110 Reykjavík
Id-no. 560271-0189

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Table of Contents

Statement by the Board of Directors and President and CEO	2
Financial Highlights and Key Ratios	3
Consolidated Income Statements	4
Consolidated Statements of Comprehensive Income	5
Consolidated Balance Sheets	6
Consolidated Statements of Cash Flows	8
Consolidated Statements of Changes in Equity	9
Notes to the Condensed Consolidated Financial Statements	10

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 31 March 2014 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are not audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 120.9 million and the net profit amounted to USD 11.3 million. According to the Balance Sheets the total assets of the Össur Consolidation amounted to USD 706.2 million at the end of period, liabilities were 256.0 million, and equity was 450.2 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 31 March 2014 and operating performance of the period ended 31 March 2014.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 31 March 2014 and confirm them by means of their signatures.

Reykjavík, 29 April 2014

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

Financial Highlights and Key Ratios

Consolidated statements

		Q1 2014	Q1 2013	2013	2012	2011	2010
Income Statements							
Net sales	USD '000	120,902	97,101	436,274	399,437	398,325	358,538
Gross profit	USD '000	75,597	60,045	269,938	247,952	246,070	222,622
Operating expenses (excl. other income)	USD '000	59,767	50,176	210,094	191,278	188,773	163,964
Profit from operations	USD '000	15,838	10,054	60,207	56,776	59,400	60,245
Net profit	USD '000	11,298	5,778	40,954	37,763	34,608	35,362
EBITDA	USD '000	20,261	13,523	75,471	69,956	72,606	74,358
Sales growth							
Sales growth USD	%	25	(3)	9	0	11	9
Growth breakdown:							
Organic growth in LCY	%	6	(3)	2	3	5	6
Currency effect	%	1	0	1	(3)	3	(1)
Acquired/divested business	%	18	0	6	1	4	4
Balance Sheets							
Total assets	USD '000	706,253	590,258	706,248	591,163	579,968	607,078
Equity	USD '000	450,244	401,059	448,037	407,734	364,733	343,558
Net interest-bearing debt (NIBD)	USD '000	115,681	81,691	107,785	82,218	111,413	132,816
Cash Flows							
Cash generated by operations	USD '000	12,059	8,534	72,629	70,553	68,377	64,331
Cash provided by operating activities	USD '000	8,688	4,204	66,154	57,568	48,447	39,995
Cash flows from investing activities	USD '000	(8,123)	(3,844)	(80,861)	(26,633)	(18,585)	(18,987)
Cash flows from financing activities	USD '000	(11,418)	(1,492)	32,783	(29,173)	(64,507)	(45,594)
Free cash flow	USD '000	6,004	365	49,205	43,310	32,493	33,389
Key figures							
Operating margin	%	13.1	10.4	13.8	14.2	14.9	16.8
EBITDA margin	%	16.8	13.9	17.3	17.5	18.2	20.7
Equity ratio	%	63.8	67.9	63.4	69.0	62.9	56.6
Ratio of net debt to EBITDA ¹		1.4	1.2	1.4	1.2	1.5	1.8
Ratio of debt to EBITDA ¹		1.8	1.6	2.0	1.5	1.8	2.5
Current ratio		1.9	1.7	1.9	1.9	1.7	1.9
Return on equity ¹	%	10.8	8.9	9.5	10.0	9.6	10.2
Market							
Market value of equity	USD '000	997,313	646,299	880,075	605,649	675,533	777,593
Number of shares	Millions	454	454	454	454	454	454
Price/earnings ratio, (P/E) ¹		21.8	18.6	21.7	15.8	20.0	22.3
Diluted EPS ¹	US cent	10.3	7.5	9.1	8.4	7.7	7.8
Diluted cash EPS ¹	US cent	13.9	10.5	12.5	11.3	10.6	10.9

1. Financial ratios for Q1 2014 and Q1 2013 are based on operations for the preceding 12 months.

Consolidated Income Statements for the period 1.1 - 31.3.2014 and 1.1 - 31.3.2013

	Notes	2014 YTD	2013 YTD
Net sales	3	120.902	97.101
Cost of goods sold		<u>(45.305)</u>	<u>(37.056)</u>
Gross profit		75.597	60.045
Other income		8	185
Sales and marketing expenses		(41.855)	(31.810)
Research and development expenses		(5.239)	(5.935)
General and administrative expenses		<u>(12.673)</u>	<u>(12.431)</u>
Profit from operations		15.838	10.054
Financial income		31	35
Financial expenses		(881)	(1.146)
Net exchange rate difference		330	(1.116)
Net financial income / (expenses)	5	<u>(520)</u>	<u>(2.227)</u>
Share in net profit of associated companies		<u>6</u>	<u>72</u>
Profit before tax		15.324	7.899
Income tax	6	<u>(4.026)</u>	<u>(2.121)</u>
Net profit		<u>11.298</u>	<u>5.778</u>
		<i>Attributable to:</i>	
Owners of the Company		11.215	5.876
Non-controlling interests		<u>83</u>	<u>(98)</u>
		<u>11.298</u>	<u>5.778</u>
Earnings per share	7		
Basic earnings per share (US cent)		<u>2,5</u>	<u>1,3</u>
Diluted earnings per share (US cent)		<u>2,5</u>	<u>1,3</u>

Consolidated Statements of Comprehensive Income for the period 1.1 - 31.3.2014 and 1.1 - 31.3.2013

	Notes	2014 YTD	2013 YTD
Net profit		11.298	5.778
Other comprehensive income			
Change in cash flow hedges		190	305
Transl. difference of shares in foreign operations.....		(630)	(4.899)
Income tax relating to components of other comprehensive income.....		(36)	(273)
Other comprehensive income (net of tax).....		(476)	(4.867)
Total comprehensive income		<u>10.822</u>	<u>911</u>
	Attributable to:		
Owners of the Company		10.739	1.009
Non-controlling interests		83	(98)
		<u>10.822</u>	<u>911</u>

Consolidated Balance Sheets

Assets

	Notes	31.3.2014	31.12.2013
Non-current assets			
Property, plant and equipment	9	39.512	40.360
Goodwill	10	402.028	396.601
Other intangible assets	11	47.101	47.871
Other financial assets	12	5.440	5.486
Deferred tax assets	21	21.710	22.159
		<u>515.791</u>	<u>512.477</u>
Current assets			
Inventories	13	70.541	66.825
Accounts receivables	14	73.136	71.239
Other assets	15	15.914	13.938
Bank balances and cash	16	30.871	41.769
		<u>190.462</u>	<u>193.771</u>
Total assets		<u><u>706.253</u></u>	<u><u>706.248</u></u>

31 March 2014 and 31 December 2013

Equity and liabilities

	Notes	31.3.2014	31.12.2013
Equity			
Issued capital	17	198.365	198.365
Reserves		3.411	4.083
Retained earnings		247.018	244.202
Equity attributable to owners of the Company		<u>448.794</u>	<u>446.650</u>
Non-controlling interest in equity		1.450	1.387
Total equity		<u>450.244</u>	<u>448.037</u>
Non-current liabilities			
Borrowings	19	126.471	129.556
Deferred tax liabilities	21	21.784	21.117
Provisions	22	6.576	4.751
Other financial liabilities	20	1.076	1.264
		<u>155.907</u>	<u>156.688</u>
Current liabilities			
Borrowings	19	20.081	19.998
Accounts payable		22.303	21.070
Taxes payable		6.355	6.342
Provisions	22	4.041	4.491
Accrued salaries and related expenses		27.991	25.951
Other liabilities	23	19.331	23.671
		<u>100.102</u>	<u>101.523</u>
Total equity and liabilities		<u>706.253</u>	<u>706.248</u>

Consolidated Statements of Cash Flows

for the period 1.1 - 31.3.2014 and 1.1 - 31.3.2013

	Notes	2014 YTD	2013 YTD
Cash flows from operating activities			
Profit from operations		15.838	10.054
Depreciation and amortization	9, 11	4.422	3.469
(Gain) / loss on disposal of assets		6	(147)
Change in provisions		73	(816)
Changes in operating assets and liabilities		(8.280)	(4.026)
Cash generated by operations		<u>12.059</u>	<u>8.534</u>
Interest received		6	22
Interest paid		(920)	(1.425)
Taxes (paid)/received		(2.457)	(2.927)
Net cash provided by operating activities		<u>8.688</u>	<u>4.204</u>
Cash flows from investing activities			
Purchase of fixed and intangible assets	9, 11	(2.685)	(4.148)
Proceeds from sale of fixed assets		1	309
Acquisition of subsidiaries		(5.491)	0
Changes in financial assets		52	(5)
		<u>(8.123)</u>	<u>(3.844)</u>
Cash flows from financing activities			
Repayments of long-term borrowings		(5.050)	(5.146)
Changes in revolving credit facility		2.051	3.766
Payment of dividends		(8.399)	0
Dividends from subsidiaries paid to non-controlling interests		(20)	(112)
		<u>(11.418)</u>	<u>(1.492)</u>
Net change in cash		(10.853)	(1.132)
Effects of exchange rate changes on:			
Balance of cash held in foreign currencies		(42)	(372)
Other items held in foreign currencies		(3)	(53)
Cash at beginning of period		<u>41.769</u>	<u>21.878</u>
Cash at end of period		<u>30.871</u>	<u>20.321</u>
Additional information regarding cash flow	8		

Consolidated Statements of Changes in Equity for the period ended 31 March 2014

	Share capital	Share premium	Statutory reserve	Share option reserve	Hedging reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2013.....	5.024	188.767	1.267	958	(1.587)	453	211.971	406.853	881	407.734
Net profit.....							5.876	5.876	(98)	5.778
Change in cash flow hedges net of tax.....					262			262		262
Translation difference of shares in foreign operations....						(5.129)		(5.129)		(5.129)
Total comprehensive income for the period.....	0	0	0	0	262	(5.129)	5.876	1.009	(98)	911
Payment of dividends.....							(7.861)	(7.861)	(172)	(8.033)
Share option charge for the period.....				211				211		211
Share capital increase.....								0	236	236
Balance at 31 March 2013.....	5.024	188.767	1.267	1.169	(1.325)	(4.676)	209.986	400.212	847	401.059
Balance at 1 January 2014.....	5.048	193.317	1.267	1.321	(735)	2.230	244.202	446.650	1.387	448.037
Net profit.....							11.215	11.215	83	11.298
Change in cash flow hedges net of tax.....					151			151		151
Translation difference of shares in foreign operations....						(627)		(627)		(627)
Total comprehensive income for the period.....	0	0	0	0	151	(627)	11.215	10.739	83	10.822
Payment of dividends.....							(8.399)	(8.399)	(20)	(8.419)
Share option charge for the period.....				182				182		182
Share option vested during the period.....				(378)				(378)		(378)
Balance at 31 March 2014.....	5.048	193.317	1.267	1.125	(584)	1.603	247.018	448.794	1.450	450.244

Notes to the Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

1.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for Consolidated Financial Statements for listed companies. The Financial Statements are presented in USD, which is the Company's functional currency. They do not include all of the information required for full annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period ended 31 December 2013.

1.2 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, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Financial Statements for the period ended 31 December 2013.

2. Quarterly statements

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net sales	120.902	128.472	104.738	105.963	97.101
Cost of goods sold	(45.305)	(48.583)	(39.349)	(41.348)	(37.056)
Gross profit	75.597	79.889	65.389	64.615	60.045
Gross profit margin	63%	62%	62%	61%	62%
Other income	8	24	96	58	185
Sales and marketing expenses	(41.855)	(42.501)	(30.967)	(33.802)	(31.810)
Research and development expenses	(5.239)	(5.493)	(4.813)	(5.296)	(5.935)
General and administrative expenses	(12.673)	(12.242)	(11.147)	(13.657)	(12.431)
Profit from operations	15.838	19.677	18.558	11.918	10.054
Net financial income /(expenses)	(850)	(1.233)	(1.061)	(997)	(1.111)
Net exchange rate difference	330	640	810	347	(1.116)
Total financial income/(expenses)	(520)	(593)	(251)	(650)	(2.227)
Share in profit of associated companies	6	14	(1.269)	(14)	72
Profit before tax	15.324	19.098	17.038	11.254	7.899
Income tax	(4.026)	(4.968)	(4.357)	(2.889)	(2.121)
Net profit	11.298	14.130	12.681	8.365	5.778
EBITDA	20.261	24.352	22.295	15.301	13.523
EBITDA ratio	17%	19%	21%	14%	14%
EBITDA adjusted	20.261	24.352	22.295	20.265	13.523
EBITDA adjusted ratio	17%	19%	21%	19%	14%

3. Net sales

Specified according to geographical segments:

	YTD 2014	YTD 2013
Americas.....	48.464	47.417
EMEA.....	65.489	43.953
Asia.....	6.949	5.731
	120.902	97.101

Specified according to product lines:

Bracing and Supports.....	72.052	55.969
Prosthetics.....	48.614	40.890
Other products.....	236	242
	120.902	97.101

Notes to the Condensed Consolidated Financial Statements

4. Segment information

2014	Americas	EMEA	Asia	Eliminations	Consolidated
Sales					
External sales.....	48.464	65.489	6.949	0	120.902
Inter-segment sales.....	12.924	28.900	330	(42.154)	0
Total sales.....	<u>61.388</u>	<u>94.389</u>	<u>7.279</u>	<u>(42.154)</u>	<u>120.902</u>
Results					
Segment results.....	<u>4.505</u>	<u>9.749</u>	<u>1.584</u>	<u>0</u>	15.838
Financial income/(expenses).....					(520)
Share in net profit of associated companies.....					6
Profit before tax.....					15.324
Income tax.....					(4.026)
Net profit.....					<u>11.298</u>
Balance sheet 31.3.2014					
Assets					
Segment assets.....	517.005	522.754	27.201	(360.707)	<u>706.253</u>
Liabilities					
Segment liabilities.....	201.625	411.794	15.372	(372.782)	<u>256.009</u>
Other information ytd 2014					
Capital additions.....	1.030	1.623	32	0	2.685
Depreciation and amortization.....	1.498	2.857	68	0	4.423
2013					
	Americas	EMEA	Asia	Eliminations	Consolidated
Sales					
External sales.....	47.417	43.953	5.731	0	97.101
Inter-segment sales.....	10.941	22.348	341	(33.630)	0
Total sales.....	<u>58.358</u>	<u>66.301</u>	<u>6.072</u>	<u>(33.630)</u>	<u>97.101</u>
Results					
Segment results.....	<u>1.215</u>	<u>7.542</u>	<u>1.297</u>	<u>0</u>	10.054
Financial income/(expenses).....					(2.227)
Share in net profit of associated companies.....					72
Profit before tax.....					7.899
Income tax.....					(2.121)
Net profit.....					<u>5.778</u>
Balance sheet 31.3.2013					
Assets					
Segment assets.....	531.943	393.721	15.439	(350.845)	<u>590.258</u>
Liabilities					
Segment liabilities.....	191.846	236.307	6.096	(245.050)	<u>189.199</u>
Other information ytd 2013					
Capital additions.....	3.596	543	9	0	4.148
Depreciation and amortization.....	1.280	2.098	91	0	3.469

Notes to the Condensed Consolidated Financial Statements

5. Financial income / (expenses)

Financial income and (expenses) are specified as follows:

	YTD 2014	YTD 2013
Financial income		
Interests on bank deposits.....	12	14
Other financial income.....	19	21
	<u>31</u>	<u>35</u>
Financial expenses		
Interests on loans.....	(732)	(996)
Other financial expenses.....	(149)	(150)
	<u>(881)</u>	<u>(1.146)</u>
Net exchange rate differences.....	330	(1.116)
Net financial income / (expenses).....	<u>(520)</u>	<u>(2.227)</u>

6. Income tax

	YTD 2014	YTD 2013
Current tax expenses.....	(2.776)	(1.461)
Deferred tax expenses.....	(1.250)	(660)
	<u>(4.026)</u>	<u>(2.121)</u>

	YTD 2014		YTD 2013	
	Amount	%	Amount	%
Profit before taxes.....	<u>15.324</u>		<u>7.899</u>	
Income tax calculated at 20%.....	(3.065)	20%	(1.580)	20%
Effect of different tax rates of other jurisdictions.....	(729)	5%	(352)	4%
Effect of non-deductible expenses / nontaxable income.....	(67)	0%	(106)	1%
Other effects.....	(165)	1%	(83)	1%
	<u>(4.026)</u>	26%	<u>(2.121)</u>	27%

7. Earnings per share

	YTD 2014	YTD 2013
Net profit.....	<u>11.298</u>	<u>5.778</u>
Total weighted average number of ordinary shares (in thousands).....	<u>451.507</u>	<u>448.732</u>
Total average number of shares including potential shares from options (in thousands).....	<u>453.222</u>	<u>448.952</u>
Basic earnings per share (US cent).....	2,5	1,3
Diluted earnings per share (US cent).....	2,5	1,3
Cash earnings per share.....	3,5	2,1
Diluted cash earnings per share.....	3,5	2,1

Notes to the Condensed Consolidated Financial Statements

8. Additional information regarding cash flow

	YTD 2014	YTD 2013
Net profit.....	11.298	5.778
Items not affecting cash	5.544	3.545
Working capital provided by operating activities.....	16.842	9.323
(Increase) / decrease in inventories.....	(3.309)	(140)
(Increase) / decrease in receivables.....	(3.485)	(8.772)
Increase / (decrease) in payables.....	(1.360)	3.793
Net cash provided by operating activities.....	8.688	4.204

9. Property, plant and equipment

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
Cost				
At 1 January 2014.....	15.184	58.023	33.300	106.507
Additions.....	0	853	707	1.560
Acquired on acquisition of subsidiary.....	0	94	234	328
Exchange rate differences.....	(354)	287	(82)	(149)
Eliminated on disposal.....	0	(22)	(22)	(44)
Fully depreciated assets.....	0	(760)	(391)	(1.151)
At 31 March 2014.....	14.830	58.475	33.746	107.051
Depreciation				
At 1 January 2014.....	9.452	38.457	18.238	66.147
Charge for the period.....	108	1.563	935	2.606
Acquired on acquisition of subsidiary.....	0	51	94	145
Exchange rate differences.....	(293)	308	(186)	(171)
Eliminated on disposal.....	0	(21)	(16)	(37)
Fully depreciated assets.....	0	(760)	(391)	(1.151)
At 31 March 2014.....	9.267	39.598	18.674	67.539
Carrying Amount:				
At 31 March 2014.....	5.563	18.877	15.072	39.512
At 31 December 2013.....	5.732	19.566	15.062	40.360

Depreciation classified by operational category is shown in the following schedule:

	YTD 2014	YTD 2013
Cost of goods sold	1.348	1.156
Sales and marketing expenses	384	204
Research and development expenses.....	91	116
General and administrative expenses	783	761
	2.606	2.237

Notes to the Condensed Consolidated Financial Statements

10. Goodwill

	31.3.2014	31.12.2013
At 1 January.....	396.601	348.935
Arising on acquisition of subsidiaries.....	5.906	43.473
Exchange rate differences.....	(479)	4.193
At 31 March 2014.....	<u>402.028</u>	<u>396.601</u>

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

	31.3.2014	31.12.2013
Americas.....	225.258	225.717
EMEA.....	167.812	167.976
Asia.....	8.958	2.908
	<u>402.028</u>	<u>396.601</u>

11. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January 2014.....	36.408	4.287	16.640	24.315	81.650
Additions.....	0	(14)	0	384	370
Additions - internally generated.....	0	0	0	755	755
Fully depreciated assets.....	0	(547)	0	(761)	(1.308)
Exchange rate differences.....	(59)	(8)	28	71	32
At 31 March 2014.....	<u>36.349</u>	<u>3.718</u>	<u>16.668</u>	<u>24.764</u>	<u>81.499</u>
Amortization					
At 1 January 2014.....	18.481	2.190	767	12.341	33.779
Charge for the period.....	1.082	32	5	697	1.816
Fully depreciated assets.....	0	(547)	0	(761)	(1.308)
Exchange rate differences.....	64	(8)	16	39	111
At 31 March 2014.....	<u>19.627</u>	<u>1.667</u>	<u>788</u>	<u>12.316</u>	<u>34.398</u>
Carrying Amount:					
At 31 March 2014.....	<u>16.722</u>	<u>2.051</u>	<u>15.880</u>	<u>12.448</u>	<u>47.101</u>
At 31 December 2013.....	<u>17.927</u>	<u>2.097</u>	<u>15.873</u>	<u>11.974</u>	<u>47.871</u>

Amortization classified by operational category is shown in the following schedule:

	YTD 2014	YTD 2013
Cost of goods sold.....	141	101
Sales and marketing expenses.....	1.275	789
Research and development expenses.....	40	89
General and administrative expenses.....	360	253
	<u>1.816</u>	<u>1.232</u>

Notes to the Condensed Consolidated Financial Statements

12. Other financial assets

	31.3.2014	31.12.2013
Investment in associates.....	2.500	2.493
Restricted cash.....	1.563	1.617
Loans and receivables.....	1.377	1.376
	<u>5.440</u>	<u>5.486</u>

Investments in associates

The Company has invested 30-50% of shares in associated companies located in France and USA. The principal activities of those companies are manufacturing and distribution.

	31.3.2014	31.12.2013
At 1 January.....	2.492	4.145
Share in net profit (net of dividend received).....	8	(1.196)
Sold associates.....	0	(456)
At end of period.....	<u>2.500</u>	<u>2.493</u>

13. Inventories

	31.3.2014	31.12.2013
Raw material.....	16.271	14.787
Work in progress.....	6.894	5.347
Finished goods	47.376	46.691
	<u>70.541</u>	<u>66.825</u>

14. Accounts receivables

	31.3.2014	31.12.2013
Nominal value.....	75.684	74.113
Allowances for doubtful accounts.....	(1.905)	(1.934)
Allowances for sales return.....	(643)	(940)
	<u>73.136</u>	<u>71.239</u>

15. Other assets

	31.3.2014	31.12.2013
VAT refundable.....	5.184	3.603
Prepaid expenses.....	8.116	7.799
Taxes receivable.....	143	427
Other.....	2.471	2.109
	<u>15.914</u>	<u>13.938</u>

16. Bank balances and cash

	31.3.2014	31.12.2013
Bank accounts.....	27.680	38.853
Bankers draft received.....	2.887	2.856
Cash and other cash equivalents.....	304	60
	<u>30.871</u>	<u>41.769</u>

Notes to the Condensed Consolidated Financial Statements

17. Issued capital

Common stock is as follows in thousands of shares and nominal value in USD thousands:

	Shares	Nominal value
Total share capital	453.750	5.068
Treasury shares.....	(2.243)	(20)
	<u>451.507</u>	<u>5.048</u>

Total shares issued at balance sheet date are 453,750,008. The nominal value of each share is one Icelandic Króna. All shares are fully paid.

	Share capital	Share premium	Issued capital
Balance at 31 March 2014.....	<u>5.048</u>	<u>193.317</u>	<u>198.365</u>

18. Share option contracts and obligations to increase share capital

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.....	2.850.000	2012	2015	8,6 / 8,7	8,8
Issued to Executive Management.....	700.000	2013	2016	7,8 / 7,9	5,3 / 7,4
Issued to Management team.....	100.000	2011	2014	8,7	8,7
Issued to Management team.....	1.800.000	2012	2015	8,6	8,8
Issued to Management team.....	600.000	2013	2016	7,7 / 7,9	7,4 / 7,9
Total issued option contracts.....	<u>6.050.000</u>				

Movements in share options:

	31.3.2014		31.12.2013	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	6.350.000	8,3	6.750.000	8,3
Granted during period	0	0,0	1.400.000	7,8
Forfeited during period	0	0,0	(1.600.000)	8,4
Exercised during period.....	(300.000)	6,2	(200.000)	4,4
Outstanding at end of period.....	<u>6.050.000</u>	<u>8,4</u>	<u>6.350.000</u>	<u>8,3</u>

Estimated remaining cost due to the share option contracts is 0.9 million (2013: 1.1 million). An expense of 0.2 million (2013: 0.2 million) is recognized in the Income Statement for the period.

Notes to the Condensed Consolidated Financial Statements

19. Borrowings

	31.3.2014		31.12.2013	
	Current	Non-current	Current	Non-current
Loans in USD.....	12.909	35.737	12.881	35.677
Loans in EUR.....	6.613	7.579	6.594	12.522
Revolver in USD.....	0	8.500	0	8.500
Revolver in EUR.....	0	73.706	0	71.926
Other borrowings.....	559	949	523	931
	<u>20.081</u>	<u>126.471</u>	<u>19.998</u>	<u>129.556</u>

The maturity of the revolving credit facility is March 2016. The Company has classified the revolver as non-current liability as the intention is to use to finance further growth of the Company.

Aggregated maturities of borrowings are as follows:

	31.3.2014	31.12.2013
In 1.4.2014 - 31.3.2015 / 2014.....	20.081	19.998
In 1.4.2015 - 31.3.2016 / 2015.....	126.471	20.338
In 1.4.2016 - 31.3.2017 / 2016.....	0	109.218
	<u>146.552</u>	<u>149.554</u>

During the quarter Össur extended the Company's long term financing agreement by three year, maturing in Q2 2019. Össur's banking partners are ING, Nordea and SEB. Current average interest terms are 105 bps + LIBOR/EURIBOR, changing in line with financial leverage. The new agreement is effective as on 1 April 2014.

20. Other financial liabilities

At balance sheet date, two interest rate swap agreements are effective, with a negative value of 1.0 million (2013: negative 1.2 million).

21. Deferred tax asset / (liability)

	31.3.2014	31.12.2013
At beginning of period.....	1.042	8.878
Income tax payable for the period.....	2.776	9.370
Calculated tax for the period.....	(4.026)	(14.335)
Arising on acquisition of a subsidiary.....	46	(2.561)
Recognized directly through equity.....	(39)	(82)
Exchange rate differences.....	127	(228)
	<u>(74)</u>	<u>1.042</u>
Deferred tax in the balance sheet:		
Deferred tax asset.....	21.710	22.159
Deferred tax liabilities.....	(21.784)	(21.117)
	<u>(74)</u>	<u>1.042</u>

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

31.3.2014	Assets	Liabilities	Net
Goodwill.....	19.159	(16.209)	2.950
Intangible assets.....	1.025	(6.720)	(5.695)
Operating fixed assets.....	95	(2.587)	(2.492)
Tax loss carry forward.....	3.414	0	3.414
Inventories.....	1.780	0	1.780
Provisions.....	640	(393)	247
Current liabilities.....	3.387	(2.646)	741
Receivables.....	0	(614)	(614)
Other.....	539	(944)	(405)
Total tax assets / (liabilities).....	<u>30.039</u>	<u>(30.113)</u>	<u>(74)</u>
Tax asset and liabilities offsetting.....	(8.329)	8.329	0
	<u>21.710</u>	<u>(21.784)</u>	<u>(74)</u>

Notes to the Condensed Consolidated Financial Statements

22. Provisions

	31.3.2014		31.12.2013	
	Current	Non-current	Current	Non-current
Warranty ⁽ⁱ⁾	2.390	5.094	2.511	4.503
Other.....	1.651	1.482	1.980	248
	<u>4.041</u>	<u>6.576</u>	<u>4.491</u>	<u>4.751</u>

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

	Warranty provisions	Other provisions	Total
At 1 January 2013.....	7.180	2.420	9.600
Additional provision recognized.....	2.971	3.008	5.979
Utilization of provision.....	(3.137)	(3.239)	(6.376)
Exchange differences.....	0	39	39
At 31 December 2013.....	<u>7.014</u>	<u>2.228</u>	<u>9.242</u>
Additional provision recognized.....	871	1.367	2.238
Utilization of provision.....	(401)	(488)	(889)
Exchange differences.....	0	26	26
Balance at 31 March 2014.....	<u>7.484</u>	<u>3.133</u>	<u>10.617</u>
Non-current.....	5.094	1.482	6.576
Current.....	2.390	1.651	4.041
Balance at 31 March 2014.....	<u>7.484</u>	<u>3.133</u>	<u>10.617</u>

23. Other liabilities

	31.3.2014	31.12.2013
Accrued expenses.....	6.501	11.101
Accrued royalties.....	648	967
Sales tax and VAT.....	3.859	6.120
Payable due to previous acquisition.....	2.324	2.324
Other.....	5.999	3.159
	<u>19.331</u>	<u>23.671</u>

24. Litigation

Otto Bock, Össur's largest competitor in the prosthetics segment, filed a lawsuit in the US against Össur in Q2 2013. Otto Bock claims that certain Össur products, namely the Unity and Iceross Seal-In V liner, infringe one of Otto Bock's patents and that Össur has breached an earlier settlement agreement between the parties. Össur has denied the allegations and claims that Otto Bock's patent is invalid and that Össur's products do not infringe that patent. In addition, Össur claims that the settlement agreement is no longer effective because of Otto Bock's material breach of that agreement. As a consequence of this dispute, legal costs were incurred in 2013. However, as the case is still in its early stages, management expects the majority of related expenses to materialize in 2014 and 2015. While Össur is confident in its positions on the merits, given the nature of US litigation, the likely outcome of the case remains uncertain.

25. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements were approved by the board of directors and authorized for issue on 29 April 2014.