

# Össur hf.

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Condensed Consolidated  
Financial Statements

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**June 30 2014**

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Össur hf.  
Grjóthálsi 5  
110 Reykjavík  
Id-no. 560271-0189

# Össur hf.

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## Condensed Consolidated Financial Statements

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### June 30 2014

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# Statement by the Board of Directors and President and CEO

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The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 June 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 neither audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 253.5 million and the net profit amounted to USD 28.5 million. According to the Balance Sheets the total assets of the Össur Consolidation amounted to USD 712.0 million at the end of period, liabilities were 246.3 million, and equity was 465.7 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 30 June 2014 and operating performance of the period ended 30 June 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 30 June 2014 and confirm them by means of their signatures.

Reykjavík, 24 July 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

		Q2 2014	Q2 2013	2013	2012	2011	2010
<b>Income Statements</b>							
Net sales	USD '000	132,645	105,963	436,274	399,437	398,325	358,538
Gross profit	USD '000	85,059	64,615	269,938	247,952	246,070	222,622
Operating expenses (excl. other income)	USD '000	60,565	52,755	210,094	191,278	188,773	163,964
Profit from operations	USD '000	24,569	11,918	60,207	56,776	59,400	60,245
Net profit	USD '000	17,247	8,365	40,954	37,763	34,608	35,362
EBITDA	USD '000	29,085	15,301	75,471	69,956	72,606	74,358
<b>Sales growth</b>							
Sales growth USD	%	25	3	9	0	11	9
Growth breakdown:							
Organic growth in LCY	%	3	3	2	3	5	6
Currency effect	%	2	0	1	(3)	3	(1)
Acquired/divested business	%	20	0	6	1	4	4
<b>Balance Sheets</b>							
Total assets	USD '000	712,015	594,262	706,248	591,163	579,968	607,078
Equity	USD '000	465,685	409,809	448,037	407,734	364,733	343,558
Net interest-bearing debt (NIBD)	USD '000	97,832	84,822	107,785	82,218	111,413	132,816
<b>Cash Flows</b>							
Cash generated by operations	USD '000	24,569	11,162	72,629	70,553	68,377	64,331
Cash provided by operating activities	USD '000	21,892	10,835	66,154	57,568	48,447	39,995
Cash flows from investing activities	USD '000	(5,010)	(5,026)	(80,861)	(26,633)	(18,585)	(18,987)
Cash flows from financing activities	USD '000	(6,031)	(7,209)	32,783	(29,173)	(64,507)	(45,594)
Free cash flow	USD '000	16,827	5,821	49,205	43,310	32,493	33,389
<b>Key ratios</b>							
Operating margin	%	18.5	11.2	13.8	14.2	14.9	16.8
EBITDA margin	%	21.9	14.4	17.3	17.5	18.2	20.7
Equity ratio	%	65.4	69.0	63.4	69.0	62.9	56.6
Ratio of net debt to EBITDA <sup>1</sup>		1.0	1.4	1.4	1.2	1.5	1.8
Ratio of debt to EBITDA <sup>1</sup>		1.5	1.7	2.0	1.5	1.8	2.5
Current ratio		2.6	1.9	1.9	1.9	1.7	1.9
Return on equity <sup>1</sup>	%	12.5	8.4	9.5	10.0	9.6	10.2
<b>Market</b>							
Market value of equity	US M.	1,130	600	880	606	676	778
Number of shares	Millions	454	454	454	454	454	454
Price/earnings ratio, (P/E) <sup>1</sup>		20.6	18.0	21.7	15.8	20.0	22.3
Diluted EPS <sup>1</sup>	US cent	12.3	7.2	9.1	8.4	7.7	7.8
Diluted cash EPS <sup>1</sup>	US cent	16.1	10.2	12.5	11.3	10.6	10.9

1. Financial ratios for Q2 2014 and Q2 2013 are based on operations for the preceding 12 months.

# Consolidated Income Statements for the period

## 1.1. - 30.6.2014 and 1.1. - 30.6.2013

	Notes	2014 YTD	2013 YTD	2014 Q2	2013 Q2
Net sales .....	3	253,547	203,064	132,645	105,963
Cost of goods sold .....		<u>(92,891)</u>	<u>(78,404)</u>	<u>(47,586)</u>	<u>(41,348)</u>
<b>Gross profit</b>		160,656	124,660	85,059	64,615
Other income .....		83	243	75	58
Sales and marketing expenses .....		(85,301)	(65,612)	(43,446)	(33,802)
Research and development expenses .....		(10,163)	(11,231)	(4,924)	(5,296)
General and administrative expenses .....		<u>(24,868)</u>	<u>(26,088)</u>	<u>(12,195)</u>	<u>(13,657)</u>
<b>Profit from operations</b>		40,407	21,972	24,569	11,918
Net financial income / (expenses) .....	5	(1,999)	(2,877)	(1,479)	(650)
Share in net profit of associated companies .....		<u>9</u>	<u>58</u>	<u>3</u>	<u>(14)</u>
<b>Profit before tax</b>		38,417	19,153	23,093	11,254
Income tax .....	6	<u>(9,872)</u>	<u>(5,010)</u>	<u>(5,846)</u>	<u>(2,889)</u>
<b>Net profit</b>		<u>28,545</u>	<u>14,143</u>	<u>17,247</u>	<u>8,365</u>
		Attributable to:			
Owners of the Company .....		28,514	14,227	17,299	8,351
Non-controlling interests .....		<u>31</u>	<u>(84)</u>	<u>(52)</u>	<u>14</u>
		<u>28,545</u>	<u>14,143</u>	<u>17,247</u>	<u>8,365</u>
<b>Earnings per share</b>	7				
Basic earnings per share (US cent) .....		<u>6.3</u>	<u>3.2</u>	<u>3.8</u>	<u>1.9</u>
Diluted earnings per share (US cent) .....		<u>6.3</u>	<u>3.2</u>	<u>3.8</u>	<u>1.9</u>

# Consolidated Statements of Comprehensive Income for the period 1.1. - 30.6.2014 and 1.1. - 30.6.2013

	Notes	2014 YTD	2013 YTD	2014 Q2	2013 Q2
<b>Net profit</b>		28,545	14,143	17,247	8,365
<b>Other comprehensive income</b>					
Change in cash flow hedges .....		339	(431)	149	(736)
Transl. difference of shares in foreign operations.....		(2,468)	(3,958)	(1,838)	941
Income tax relating to components of other comprehensive income.....		(237)	199	(201)	472
Other comprehensive income (net of tax).....		(2,365)	(4,190)	(1,890)	677
<b>Total comprehensive income</b>		<u>26,180</u>	<u>9,953</u>	<u>15,357</u>	<u>9,042</u>
	Attributable to:				
Owners of the Company .....		26,149	10,037	15,410	9,028
Non-controlling interests .....		31	(84)	(53)	14
		<u>26,180</u>	<u>9,953</u>	<u>15,357</u>	<u>9,042</u>

# Consolidated Balance Sheets

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## Assets

	Notes	30.6.2014	31.12.2013
<b>Non-current assets</b>			
Property, plant and equipment .....	9	40,543	40,360
Goodwill .....	10	399,680	396,601
Other intangible assets .....	11	45,873	47,871
Other financial assets .....	12	5,369	5,486
Deferred tax assets .....	21	20,186	22,159
		<u>511,651</u>	<u>512,477</u>
<b>Current assets</b>			
Inventories .....	13	66,814	66,825
Accounts receivables .....	14	79,002	71,239
Other assets .....	15	12,767	13,938
Bank balances and cash .....	16	41,781	41,769
		<u>200,364</u>	<u>193,771</u>
<b>Total assets</b>		<u><u>712,015</u></u>	<u><u>706,248</u></u>

## 30 June 2014 and 31 December 2013

### Equity and liabilities

	Notes	30.6.2014	31.12.2013
<b>Equity</b>			
Issued capital .....	17	198,365	198,365
Reserves .....		1,607	4,083
Retained earnings .....		264,315	244,202
Equity attributable to owners of the Company		<u>464,287</u>	<u>446,650</u>
Non-controlling interest in equity .....		1,398	1,387
<b>Total equity</b>		<u>465,685</u>	<u>448,037</u>
<b>Non-current liabilities</b>			
Borrowings .....	19	139,067	129,556
Deferred tax liabilities .....	21	22,111	21,117
Provisions .....	22	6,579	4,751
Other financial liabilities .....	20	916	1,264
		<u>168,673</u>	<u>156,688</u>
<b>Current liabilities</b>			
Borrowings .....	19	546	19,998
Accounts payable .....		16,937	21,070
Taxes payable .....		10,080	6,342
Provisions .....	22	3,971	4,491
Accrued salaries and related expenses .....		28,043	25,951
Other liabilities .....	23	18,080	23,671
		<u>77,657</u>	<u>101,523</u>
<b>Total equity and liabilities</b>		<u>712,015</u>	<u>706,248</u>

# Consolidated Statements of Cash Flows

## for the period 1.1. - 30.6.2014 and 1.1. - 30.6.2013

	Notes	2014 YTD	2013 YTD	2014 Q2	2013 Q2
<b>Cash flows from operating activities</b>					
Profit from operations .....		40,407	21,972	24,569	11,918
Depreciation and amortization .....	9, 11	8,941	6,852	4,519	3,383
(Gain) / loss on disposal of assets .....		48	319	42	466
Change in provisions .....		(3)	339	(76)	1,155
Changes in operating assets and liabilities .....		(13,559)	(9,786)	(4,485)	(5,760)
<b>Cash generated by operations</b>		<u>35,834</u>	<u>19,696</u>	<u>24,569</u>	<u>11,162</u>
Interest received .....		5	173	10	151
Interest paid .....		(1,732)	(1,832)	(1,036)	(407)
Taxes (paid)/received .....		(3,527)	(2,998)	(1,651)	(71)
<b>Net cash provided by operating activities</b>		<u>30,580</u>	<u>15,039</u>	<u>21,892</u>	<u>10,835</u>
<b>Cash flows from investing activities</b>					
Purchase of fixed and intangible assets .....	9, 11	(7,761)	(8,927)	(5,076)	(4,779)
Proceeds from sale of fixed assets .....		12	74	11	(235)
Acquisition of subsidiaries .....		(5,491)	0	0	0
Changes in financial assets .....		102	(17)	55	(12)
		<u>(13,138)</u>	<u>(8,870)</u>	<u>(5,010)</u>	<u>(5,026)</u>
<b>Cash flows from financing activities</b>					
Proceeds from long-term borrowings .....		48,607	0	48,606	0
Repayments of long-term borrowings .....		(68,685)	(10,200)	(63,635)	(5,054)
Changes in revolving credit facility .....		11,050	9,594	9,000	5,828
Payment of dividends .....		(8,401)	(7,861)	(0)	(7,861)
Dividends from subsidiaries paid to non-controlling interests .....		(20)	(234)	(2)	(122)
		<u>(17,449)</u>	<u>(8,701)</u>	<u>(6,031)</u>	<u>(7,209)</u>
<b>Net change in cash</b> .....		(7)	(2,532)	10,851	(1,400)
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies .....		188	(294)	624	78
Other items held in foreign currencies .....		(169)	(135)	(565)	(82)
<b>Cash at beginning of period</b> .....		<u>41,769</u>	<u>21,878</u>	<u>30,871</u>	<u>20,321</u>
<b>Cash at end of period</b> .....		<u>41,781</u>	<u>18,917</u>	<u>41,781</u>	<u>18,917</u>
Additional information regarding cash flow .....	8				

## Consolidated Statements of Changes in Equity for the period ended 30 June 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.....							14,227	14,227	(84)	14,143
Change in cash flow hedges net of tax.....					(277)			(277)		(277)
Translation difference of shares in foreign operations....						(3,913)		(3,913)		(3,913)
Total comprehensive income for the period.....	0	0	0	0	(277)	(3,913)	14,227	10,037	(84)	9,953
Payment of dividends.....							(7,861)	(7,861)	(234)	(8,095)
Share option charge for the period.....				465				465		465
Share options forfeited.....				(298)				(298)		(298)
Share option vested during the period.....				(186)				(186)		(186)
Arising on acquisition.....								0	236	236
Balance at 30 June 2013.....	5,024	188,767	1,267	939	(1,864)	(3,460)	218,337	409,010	799	409,809
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.....							28,514	28,514	31	28,545
Change in cash flow hedges net of tax.....					272			272		272
Translation difference of shares in foreign operations....						(2,637)		(2,637)		(2,637)
Total comprehensive income for the period.....	0	0	0	0	272	(2,637)	28,514	26,149	31	26,180
Payment of dividends.....							(8,401)	(8,401)	(20)	(8,421)
Share option charge for the period.....				362				362		362
Share option vested during the period.....				(473)				(473)		(473)
Balance at 30 June 2014.....	5,048	193,317	1,267	1,210	(463)	(407)	264,315	464,287	1,398	465,685

# Notes to the Condensed Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

### 1.1 Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. The 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. 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

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net sales .....	132,645	120,902	128,472	104,738	105,963
Cost of goods sold .....	(47,586)	(45,305)	(48,583)	(39,349)	(41,348)
<b>Gross profit</b> .....	85,059	75,597	79,889	65,389	64,615
Gross profit margin .....	64%	63%	62%	62%	61%
Other income .....	75	8	24	96	58
Sales and marketing expenses .....	(43,446)	(41,855)	(42,501)	(30,967)	(33,802)
Research and development expenses .....	(4,924)	(5,239)	(5,493)	(4,813)	(5,296)
General and administrative expenses .....	(12,195)	(12,673)	(12,242)	(11,147)	(13,657)
<b>Profit from operations</b> .....	24,569	15,838	19,677	18,558	11,918
Net financial income /(expenses) .....	(1,332)	(850)	(1,233)	(1,061)	(997)
Net exchange rate difference .....	(147)	330	640	810	347
Total financial income/(expenses) .....	(1,479)	(520)	(593)	(251)	(650)
Share in profit of associated companies .....	3	6	14	(1,269)	(14)
<b>Profit before tax</b> .....	23,093	15,324	19,098	17,038	11,254
Income tax .....	(5,846)	(4,026)	(4,968)	(4,357)	(2,889)
<b>Net profit</b> .....	17,247	11,298	14,130	12,681	8,365
EBITDA .....	29,085	20,261	24,352	22,295	15,301
EBITDA ratio .....	22%	17%	19%	21%	14%
EBITDA adjusted .....	29,085	20,261	24,352	22,295	20,265
EBITDA adjusted ratio .....	22%	17%	19%	21%	19%

## 3. Net sales

Specified according to geographical segments:

	YTD 2014	YTD 2013	Q2 2014	Q2 2013
Americas.....	101,536	99,384	53,072	51,967
EMEA.....	137,620	91,856	72,131	47,903
Asia.....	14,391	11,824	7,442	6,093
	253,547	203,064	132,645	105,963

Specified according to product lines:

Bracing and Supports.....	150,004	115,172	77,952	59,203
Prosthetics.....	103,005	87,474	54,391	46,584
Other products.....	538	418	302	176
	253,547	203,064	132,645	105,963

## Notes to the Condensed Consolidated Financial Statements

### 4. Segment information

2014	Americas	EMEA	Asia	Eliminations	Consolidated
<b>Sales</b>					
External sales.....	101,536	137,620	14,391	0	253,547
Inter-segment sales.....	27,388	83,285	899	(111,572)	0
Total sales.....	<u>128,925</u>	<u>220,905</u>	<u>15,290</u>	<u>(111,572)</u>	<u>253,547</u>
<b>Results</b>					
Segment results.....	<u>12,116</u>	<u>24,877</u>	<u>3,414</u>	<u>0</u>	40,407
Financial income/(expenses).....					(1,999)
Share in net profit of associated companies.....					9
Profit before tax.....					38,417
Income tax.....					(9,872)
Net profit.....					<u>28,545</u>
<b>Balance sheet 30.6.2014</b>					
<b>Assets</b>					
Segment assets.....	522,731	533,488	28,238	(372,442)	<u>712,015</u>
<b>Liabilities</b>					
Segment liabilities.....	208,205	420,189	15,415	(397,479)	<u>246,330</u>
<b>Other information ytd 2014</b>					
Capital additions.....	2,403	5,314	44	0	7,761
Depreciation and amortization.....	3,012	5,791	136	0	8,939
<b>2013</b>					
	Americas	EMEA	Asia	Eliminations	Consolidated
<b>Sales</b>					
External sales.....	99,384	91,856	11,824	0	203,064
Inter-segment sales.....	23,530	59,041	0	(82,571)	0
Total sales.....	<u>122,914</u>	<u>150,897</u>	<u>11,824</u>	<u>(82,571)</u>	<u>203,064</u>
<b>Results</b>					
Segment results.....	<u>3,434</u>	<u>16,023</u>	<u>2,515</u>	<u>0</u>	21,972
Financial income/(expenses).....					(2,877)
Share in net profit of associated companies.....					58
Profit before tax.....					19,153
Income tax.....					(5,010)
Net profit.....					<u>14,143</u>
<b>Balance sheet 30.6.2013</b>					
<b>Assets</b>					
Segment assets.....	501,265	399,267	16,183	(322,453)	<u>594,262</u>
<b>Liabilities</b>					
Segment liabilities.....	194,413	237,084	6,287	(253,331)	<u>184,453</u>
<b>Other information ytd 2013</b>					
Capital additions.....	5,125	3,763	39	0	8,927
Depreciation and amortization.....	2,478	4,195	179	0	6,852

## Notes to the Condensed Consolidated Financial Statements

### 5. Financial income / (expenses)

	YTD 2014	YTD 2013	Q2 2014	Q2 2013
<b>Financial income</b>				
Interests on bank deposits.....	26	25	14	11
Other financial income.....	26	126	7	105
	<u>52</u>	<u>151</u>	<u>21</u>	<u>116</u>
<b>Financial expenses</b>				
Interests on loans.....	(1,906)	(1,996)	(1,174)	(1,000)
Other financial expenses.....	(328)	(263)	(179)	(113)
	<u>(2,234)</u>	<u>(2,259)</u>	<u>(1,353)</u>	<u>(1,113)</u>
Net exchange rate differences.....	183	(769)	(147)	347
Net financial income / (expenses).....	<u>(1,999)</u>	<u>(2,877)</u>	<u>(1,479)</u>	<u>(650)</u>

### 6. Income tax

	YTD 2014	YTD 2013	Q2 2014	Q2 2013
Current tax expenses.....	(6,664)	(3,128)	(3,888)	(1,667)
Deferred tax expenses.....	(3,208)	(1,882)	(1,958)	(1,222)
	<u>(9,872)</u>	<u>(5,010)</u>	<u>(5,846)</u>	<u>(2,889)</u>
	YTD 2014		YTD 2013	
	Amount	%	Amount	%
Profit before taxes.....	<u>38,417</u>		<u>19,153</u>	
Income tax calculated at 20%.....	(7,683)	20%	(3,831)	20%
Effect of different tax rates of other jurisdictions.....	(1,761)	5%	(721)	4%
Effect of non-deductible expenses / nontaxable income.....	(71)	0%	(219)	1%
Other effects.....	(357)	1%	(239)	1%
	<u>(9,872)</u>	<u>26%</u>	<u>(5,010)</u>	<u>26%</u>

### 7. Earnings per share

	YTD 2014	YTD 2013	Q2 2014	Q2 2013
Net profit.....	<u>28,545</u>	<u>14,143</u>	<u>17,248</u>	<u>8,365</u>
Total weighted average number of ordinary shares (in thousands).....	<u>451,507</u>	<u>448,732</u>	<u>451,507</u>	<u>448,732</u>
Total average number of shares including potential shares from options (in thousands).....	<u>453,340</u>	<u>448,832</u>	<u>453,489</u>	<u>448,831</u>
Basic earnings per share (US cent).....	6.3	3.2	3.8	1.9
Diluted earnings per share (US cent).....	6.3	3.2	3.8	1.9
Cash earnings per share.....	8.3	4.7	4.8	2.6
Diluted cash earnings per share.....	8.3	4.7	4.8	2.6

## Notes to the Condensed Consolidated Financial Statements

### 8. Additional information regarding cash flow

	YTD 2014	YTD 2013	Q2 2014	Q2 2013
Net profit.....	28,545	14,143	17,247	8,365
Items not affecting cash .....	11,996	9,785	6,452	6,240
Working capital provided by operating activities.....	40,541	23,928	23,699	14,605
(Increase) / decrease in inventories.....	699	1,973	4,008	2,113
(Increase) / decrease in receivables.....	(7,111)	(12,500)	(3,626)	(3,728)
Increase / (decrease) in payables.....	(3,549)	1,638	(2,189)	(2,155)
Net cash provided by operating activities.....	30,580	15,039	21,892	10,835

### 9. Property, plant and equipment

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Total
<b>Cost</b>				
At 1 January 2014.....	15,184	58,023	33,300	106,507
Additions.....	55	4,238	1,174	5,467
Acquired on acquisition of subsidiary.....	0	97	241	338
Exchange rate differences.....	(503)	(238)	(187)	(928)
Eliminated on disposal.....	0	(316)	(52)	(368)
Fully depreciated assets.....	0	(6,735)	(5,282)	(12,017)
At 30 June 2014.....	14,736	55,069	29,194	98,999
<b>Depreciation</b>				
At 1 January 2014.....	9,452	38,457	18,238	66,147
Charge for the period.....	217	3,168	1,880	5,265
Acquired on acquisition of subsidiary.....	0	53	97	150
Exchange rate differences.....	(366)	(30)	(383)	(779)
Eliminated on disposal.....	0	(265)	(45)	(310)
Fully depreciated assets.....	0	(6,735)	(5,282)	(12,017)
At 30 June 2014.....	9,303	34,648	14,505	58,456
<b>Carrying Amount:</b>				
At 30 June 2014.....	5,433	20,421	14,689	40,543
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 .....	2,550	2,314
Sales and marketing expenses .....	792	423
Research and development expenses.....	214	227
General and administrative expenses .....	1,709	1,546
	5,265	4,510

# Notes to the Condensed Consolidated Financial Statements

## 10. Goodwill

	30.6.2014	31.12.2013
At 1 January.....	396,601	348,935
Arising on acquisition of subsidiaries.....	5,076	43,473
Exchange rate differences.....	(1,997)	4,193
At 30 June 2014.....	<u>399,680</u>	<u>396,601</u>

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

	30.6.2014	31.12.2013
Americas.....	225,875	225,717
EMEA.....	164,725	167,976
Asia.....	9,079	2,908
	<u>399,680</u>	<u>396,601</u>

## 11. Other intangible assets

	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
<b>Cost</b>					
At 1 January 2014.....	36,408	4,287	16,640	24,315	81,650
Additions.....	0	0	0	1,019	1,019
Additions - internally generated.....	0	0	0	1,275	1,275
Fully depreciated assets.....	0	(553)	0	(761)	(1,314)
Exchange rate differences.....	(552)	(18)	(75)	15	(630)
At 30 June 2014.....	<u>35,856</u>	<u>3,716</u>	<u>16,565</u>	<u>25,863</u>	<u>82,000</u>
<b>Amortization</b>					
At 1 January 2014.....	18,481	2,190	767	12,341	33,779
Charge for the period.....	2,150	63	11	1,452	3,676
Fully depreciated assets.....	0	(553)	0	(761)	(1,314)
Exchange rate differences.....	(89)	(5)	67	13	(14)
At 30 June 2014.....	<u>20,542</u>	<u>1,695</u>	<u>845</u>	<u>13,045</u>	<u>36,127</u>
<b>Carrying Amount:</b>					
At 30 June 2014.....	<u>15,314</u>	<u>2,021</u>	<u>15,720</u>	<u>12,818</u>	<u>45,873</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.....	365	238
Sales and marketing expenses.....	2,509	1,463
Research and development expenses.....	58	133
General and administrative expenses.....	744	508
	<u>3,676</u>	<u>2,342</u>

## Notes to the Condensed Consolidated Financial Statements

### 12. Other financial assets

	30.6.2014	31.12.2013
Investment in associates.....	2,502	2,493
Restricted cash.....	1,492	1,617
Loans and receivables.....	1,375	1,376
	<u>5,369</u>	<u>5,486</u>

#### Investments in associates

	30.6.2014	31.12.2013
At 1 January.....	2,493	4,145
Share in net profit (net of dividend received).....	9	(1,196)
Sold associates.....	0	(456)
At end of period.....	<u>2,502</u>	<u>2,493</u>

### 13. Inventories

	30.6.2014	31.12.2013
Raw material.....	14,657	14,787
Work in progress.....	7,004	5,347
Finished goods .....	45,153	46,691
	<u>66,814</u>	<u>66,825</u>

### 14. Accounts receivables

	30.6.2014	31.12.2013
Nominal value.....	82,126	74,113
Allowances for doubtful accounts.....	(2,136)	(1,934)
Allowances for sales return.....	(988)	(940)
	<u>79,002</u>	<u>71,239</u>

### 15. Other assets

	30.6.2014	31.12.2013
VAT refundable.....	4,048	3,603
Prepaid expenses.....	6,798	7,799
Taxes receivable.....	23	427
Other.....	1,898	2,109
	<u>12,767</u>	<u>13,938</u>

### 16. Bank balances and cash

	30.6.2014	31.12.2013
Bank accounts.....	39,035	38,853
Bankers draft received.....	2,662	2,856
Cash and other cash equivalents.....	84	60
	<u>41,781</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:

	<u>Shares</u>	<u>Nominal value</u>
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.

	<u>Share capital</u>	<u>Share premium</u>	<u>Issued capital</u>
Balance at 30 June 2014.....	5,048	193,317	198,365

## 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	7.4 / 7.9
Issued to Management team.....	1,800,000	2012	2015	8.7	8.8
Issued to Management team.....	600,000	2013	2016	7.7 / 7.9	7.4 / 7.9
Total issued option contracts.....	<u>5,950,000</u>				

Movements in share options:

	<u>30.6.2014</u>		<u>31.12.2013</u>	
	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.....	(400,000)	6.2	(200,000)	4.4
Outstanding at end of period.....	<u>5,950,000</u>	<u>8.4</u>	<u>6,350,000</u>	<u>8.3</u>

Estimated remaining cost due to the share option contracts is 0.7 million (2013: 1.4 million). An expense of 0.4 million (2013: 0.5 million) is recognized in the Income Statement for the period.

# Notes to the Condensed Consolidated Financial Statements

## 19. Borrowings

	30.6.2014		31.12.2013	
	Current	Non-current	Current	Non-current
Loans in USD.....	0	23,748	12,881	35,677
Loans in EUR.....	0	23,621	6,594	12,522
Revolver in USD.....	0	37,500	0	8,500
Revolver in EUR.....	0	53,241	0	71,926
Other borrowings.....	546	957	523	931
	<u>546</u>	<u>139,067</u>	<u>19,998</u>	<u>129,556</u>

The maturity of the revolving credit facility is April 2018. 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:

	30.6.2014	31.12.2013
In 1.7.2014 - 30.6.2015 / 2014.....	546	19,998
In 1.7.2015 - 30.6.2016 / 2015.....	729	20,338
In 1.7.2016 - 30.6.2017 / 2016.....	24,297	109,218
In 1.7.2017 - 30.6.2018 / 2017.....	114,041	0
	<u>139,613</u>	<u>149,554</u>

During the quarter Össur extended the Company's long term financing agreement by three years, maturing in Q2 2018. Össur's banking partners are ING, Nordea and SEB. Current average interest terms are 105 bps + LIBOR/EURIBOR, changing in line with financial leverage.

## 20. Other financial liabilities

At balance sheet date, two interest rate swap agreements are effective, with a negative value of 0.8 million (2013: negative 1.2 million).

## 21. Deferred tax asset / (liability)

	30.6.2014	31.12.2013
At beginning of period.....	1,042	8,878
Income tax payable for the period.....	6,664	9,370
Calculated tax for the period.....	(9,872)	(14,335)
Arising on acquisition of a subsidiary.....	38	(2,561)
Recognized directly through equity.....	(68)	(82)
Exchange rate differences.....	271	(228)
	<u>(1,925)</u>	<u>1,042</u>

Deferred tax in the balance sheet:

Deferred tax asset.....	20,186	22,159
Deferred tax liabilities.....	(22,111)	(21,117)
	<u>(1,925)</u>	<u>1,042</u>

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

30.6.2014	Assets	Liabilities	Net
Goodwill.....	17,905	(16,265)	1,640
Intangible assets.....	1,023	(6,374)	(5,351)
Operating fixed assets.....	93	(2,727)	(2,634)
Tax loss carry forward.....	2,911	0	2,911
Inventories.....	1,791	0	1,791
Provisions.....	584	(394)	190
Current liabilities.....	3,649	(3,048)	601
Receivables.....	0	(749)	(749)
Other.....	542	(866)	(324)
Total tax assets / (liabilities).....	<u>28,498</u>	<u>(30,423)</u>	<u>(1,925)</u>
Tax asset and liabilities offsetting.....	<u>(8,312)</u>	<u>8,312</u>	<u>0</u>
	<u>20,186</u>	<u>(22,111)</u>	<u>(1,925)</u>

## Notes to the Condensed Consolidated Financial Statements

### 22. Provisions

	30.6.2014		31.12.2013	
	Current	Non-current	Current	Non-current
Warranty <sup>(i)</sup> .....	2,362	5,072	2,511	4,503
Other.....	1,609	1,507	1,980	248
	<u>3,971</u>	<u>6,579</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 rate differences.....	0	39	39
At 31 December 2013.....	7,014	2,228	9,242
Additional provision recognized.....	1,314	1,480	2,794
Utilization of provision.....	(894)	(586)	(1,480)
Exchange rate differences.....	0	(6)	(6)
Balance at 30 June 2014.....	<u>7,434</u>	<u>3,116</u>	<u>10,550</u>
Non-current.....	5,072	1,507	6,579
Current.....	<u>2,362</u>	<u>1,609</u>	<u>3,971</u>
Balance at 30 June 2014.....	<u>7,434</u>	<u>3,116</u>	<u>10,550</u>

### 23. Other liabilities

	30.6.2014	31.12.2013
Accrued expenses.....	8,760	11,101
Accrued royalties.....	793	967
Sales tax and VAT.....	2,949	6,120
Payable due to previous acquisition.....	2,324	2,324
Other.....	3,254	3,159
	<u>18,080</u>	<u>23,671</u>

### 24. Approval of the Consolidated Financial Statements

The Condensed Consolidated Financial Statements were approved by the board of directors and authorized for issue on 24 July 2014.