ÖSSUR®

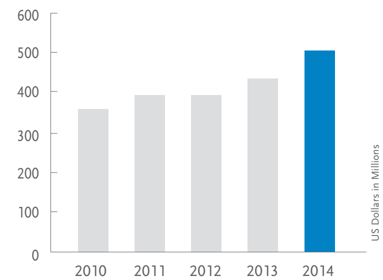
LIFE WITHOUT LIMITATIONS

ANNUAL REPORT

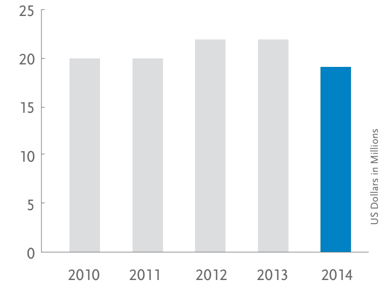
2014

Key Figures

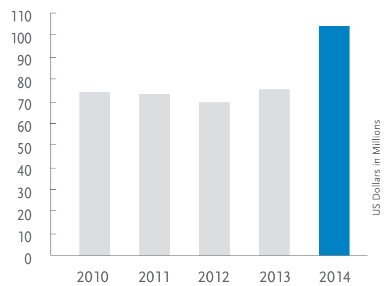
Sales



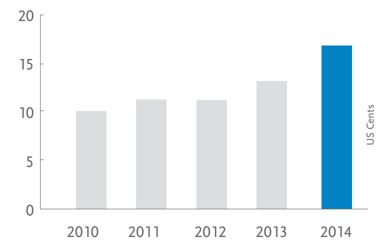
Research & Development



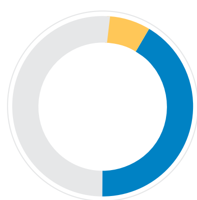
EBITDA



Diluted Cash EPS

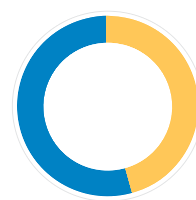


Sales by Geography



52% EMEA
41% Americas
7% APAC

Sales by Segment



58% Bracing and Supports
42% Prosthetics

Financial Ratios

(USD MILLIONS)

		2014	2013	2012	2011	2010
INCOME STATEMENT						
Net sales		509	436	399	401	359
Gross profit		323	270	248	249	223
Operating expenses (exl. other income)		237	210	191	189	164
EBIT		86	60	57	62	60
Net profit		59	41	38	37	35
EBITDA		104	75	70	76	74
SALES GROWTH						
Sales growth USD	%	17	9	0	11	9
Growth breakdown:						
Organic growth in LCY	%	5	2	3	5	6
Currency effect	%	(1)	1	(3)	3	(1)
Acquired/divested business	%	13	6	1	4	4
BALANCE SHEET						
Total assets		678	706	591	580	607
Equity		442	448	408	365	344
Net interest-bearing debt (NIBD)		93	108	82	111	133
CASH FLOW						
Cash generated by operations		98	73	71	68	64
Free cash flow		68	49	43	32	33
KEY RATIOS						
Gross profit margin	%	63	62	62	62	62
EBIT margin	%	17	14	14	15	17
EBITDA margin	%	20	17	18	18	21
Equity ratio	%	65	63	69	63	57
Net debt to EBITDA		0.9	1.4	1.2	1.5	1.8
Effective tax rate	%	24	26	26	26	26
Return on equity	%	13	10	10	10	10
CAPEX / Net sales	%	3.3	3.9	3.6	4.1	2.6
Full time employees on average		2,214	1,765	1,860	1,864	1,627
MARKET						
Market value of equity		1,311	880	606	676	778
Number of shares	Millions	454	454	454	454	454
Price/earnings ratio, (P/E)		22.1	21.7	15.8	20.0	22.3
Diluted EPS	US cent	13.1	9.1	8.4	7.7	7.8
Diluted cash EPS	US cent	17.2	12.5	11.3	10.6	10.9

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CONSOLIDATED FINANCIAL STATEMENTS 2014

Innovating Outcomes

We at Össur are proud of yet another successful year of improving people's mobility. With the dedication of our employees and collaborators, we launched many new and improved products and services in 2014. These product improvements grow our business and, more importantly, help our customers live life without limitations. This year we executed innovative ideas that added value, improved our efficiency and maintained sustainable growth.

Jón Sigurðsson
Össur President and CEO

Advancing Innovation

We started 2014 with a bang, introducing the RHEO KNEE 3, the third generation of Össur's first-ever bionic product. Several other significant products launched this past year, including the Rebound® PCL, Rebound® Diabetic Walker, SYMBIONIC® LEG 3, and a variety of Unity® compatible solutions. We also launched Össur Partnership Services to support and strengthen O&P workshops in the U.S. This year and in the future, we will continue to push for greater innovation and better outcomes for our customers. Our global team recognizes many opportunities for learning and enhancement ahead of us—which inspires us to further improve outcomes for our customers.

> We started 2014 with a bang, introducing the RHEO KNEE® 3, the third generation of Össur's first-ever bionic product.

Continuing Growth

We continued to focus investment on growth opportunities, as well as returning value to shareholders through dividends and share buybacks. Sales growth in 2014 was 18%, 5% organic, and we had record sales of USD 509 million. Prosthetics sales growth was excellent across all our major markets and product lines, and sales in bracing and supports grew in line with our expectations. We strengthened our sales channel in Asia-Pacific through two strategic acquisitions and all recent investments have been in line with our plans.

The bracing and supports strategy is to increase market share through clear segmentation, and focus on specific indications that are treated with Össur's premium offer. Therefore, we have divided our bracing and supports range into two segments, creating a dual emphasis on Osteoarthritis Solutions and Injury Solutions. The prevalence of Osteoarthritis continues to rise and the OA brace Unloader One is one of Össur's most successful products year-to-date. For Injury Solutions products, the main objective is to stabilize joints while people recover from fractures and ligament injuries

RHEO KNEE® 3 – The third generation of Össur's first-ever bionic product.

or to provide post-operative treatment. The Injury Solutions market provides a great opportunity for growth.

Focus on Efficiency

Our continued emphasis on increasing profitability by focusing on high-end innovative products is yielding promising results. Operationally, we had an excellent year with strong profits and cash flow. The EBITDA grew 38% and was USD 104 million for the year. We have been focused on strengthening our competitive advantage through operational excellence, by optimizing business processes and rationalizing our product portfolio. We have successfully reduced costs, simplified and improved our operating model.

Improving Mobility

This was a particularly successful year for Össur's Mobility Clinics—interactive workshops that teach amputees proper running technique on their prosthesis. In the U.S., there were six clinics where about 250 athletes participated. The Össur Mobility Clinic in Boston attracted over 50 amputees and was covered by the Boston Tribune and other acclaimed media outlets. In France, about 130 people joined the Breizh Runner clinic organized by our customer, Orthofiga, in Bretagne. At these clinics, Össur was delighted to help many participants run for the first time since their amputation.

> This was a particularly successful year for Össur's Mobility Clinics – interactive workshops that teach amputees proper running technique on their prosthesis.

Looking forward to 2015 and beyond

We are grateful and proud that our work in 2014 enhanced the lives of so many people. We believe that Össur is in a good position for future growth, with the right business model, strategies, and corporate culture. It is our privilege to continue to create life-changing technology that results in better functional, clinical, and health-economic outcomes. Our success is driven by our desire to achieve our mission of improving people's mobility day after day. We look forward to continuing this rewarding work in 2015 and beyond.

2014 CAF's San Diego Össur Leg Amputee Running and Mobility Clinic

REBOUND® PCL

REBOUND® DIABETIC WALKER

Corporate Strategy

Össur's vision is to be a leading company in the non-invasive orthopaedics market. Össur's business improves people's mobility through innovative technologies within the fields of bracing and supports and prosthetics. Össur will continue to generate value for individuals and healthcare systems by focusing our business strategy on successful product innovation, efficiency and sustainable growth.

MAIN FOCUS AREAS

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 maintain our consistently strong market position.

EFFICIENCY

Do 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.

GROWTH

Sustainable Growth

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

VISION

Leading Company in Non-Invasive Orthopaedics

MISSION

We Improve People's Mobility

Values

Össur's core values ensure successful cooperation and partnerships, and are the foundation for our strategy and success.

HONESTY

We show respect by adhering to facts and reality, fulfilling promises and claims, and admitting failures. We nurture honest communication throughout the Company by sharing information and respecting each other's time and workload.

FRUGALITY

We use resources wisely. The Company aims to minimize costs across all areas of its business through effective communication, preparedness, planning and optimized processes.

COURAGE

We are open to change and constantly strive for improvement. We challenge unwritten rules, show initiative and take calculated risks, while at the same time, taking responsibility for our ideas, decisions and actions.

About Össur

Össur focuses on improving people's mobility through the delivery of innovative technologies within the fields of prosthetics and in bracing and supports.

Össur is known as a technical leader in the field of prosthetics and one of the leading companies in the field of bracing and supports.

The Company was founded in 1971 as a prosthetic clinic and has since then grown through innovation and acquisitions in both prosthetics and bracing and supports. Today Össur has a strong position in the industry and key markets and is in a good position to leverage on future growth opportunities.

Össur has been listed since 1999 and since 2009 on NASDAQ in Copenhagen. Össur has operations in 18 countries and around 2,300 employees.

Össur's Two Business Segments

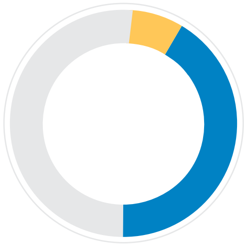
Bracing and Supports

Within the segment of bracing and supports products, Össur focuses on Osteoarthritis and Injury Solutions. These products are primarily used to support joints and other body parts, both for therapeutic and preventive purposes.

Prosthetics

Prosthetic products include artificial limbs and related products for individuals who were born without limbs or have had limbs amputated.

Össur is headquartered in Reykjavik, Iceland. The Company's sales are well diversified by segments and geography. Sales in 2014 amounted to USD 509 million and were split as follows:



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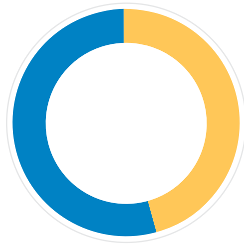


58% Bracing and Supports
42% Prosthetics

Main Milestones

1971
Össur was founded in Iceland by Össur Kristinsson

1986
Received its first patent for the silicone liner

1999
Listed on NASDAQ in Iceland

2000
Becomes the second largest prosthetics manufacturer through series of strategic acquisitions

2004
RHEO KNEE®
The first bionic product launched

We are

- A Global Orthopaedic Company
- Growing through Innovation
- Positioned for Future Growth

2005/6
Entrance into the bracing and supports segment through series of strategic acquisitions

2009
Listed on NASDAQ in Copenhagen

2012
SYMBIONIC® LEG
The world's first complete bionic Leg

2013
Strengthening of sales channel through acquisitions

2014
REBOUND® CARTILAGE
First Functional Healing™ product introduced to the market

People

The effort and enthusiasm of our employees in 2014 led to many new and improved products and services that make a difference in people's lives. With the hard work and passion of our employees, we achieved our mission of improving people's mobility.

Our mission is a rewarding cause, but it is the team mentality and positive attitude of our employees that make Össur a remarkable company. While we are truly diverse, numbering 2,300 employees across the globe, we work as one.

Our values – honesty, frugality, and courage – are the backbone of our business and the glue that keeps us functioning as a group. We strive to live these values every day, in everything that we do – in our interactions with colleagues and customers, and in our work efforts.

Diverse Workforce

This year we strengthened our commitment to diversity and Human Rights by signing the United Nations Women's Empowerment Principles, an addition to the UN Global Compact. Össur committed to the UN Global Compact initiative in 2011, pledging to follow the Global Compact principles in the areas of Environment, Labor Practices, Human Rights and Anti-Corruption.

In a global company like Össur, diversity in its broadest sense is important. Encouragement of diversity in the workplace is beneficial as it helps gain diverse perspectives from which to base decisions, which in turn lead to better results. We are committed to providing equal treatment and equal opportunities for growth to all employees.

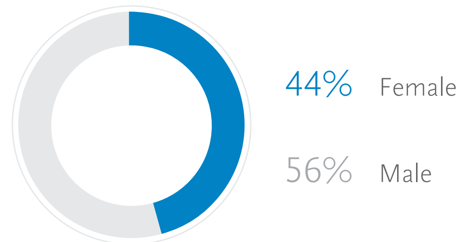
A Great Place To Work

At Össur, we believe in creating an environment where the skills, strengths and knowledge of all employees are utilized in full. We seek input from every level of the organization, knowing that the unique experience and insights of our employees are the keys to continuous improvement. Employee input is so important to us that we have made it a goal in our manufacturing operation to solicit and implement 10 ideas per employee each year.

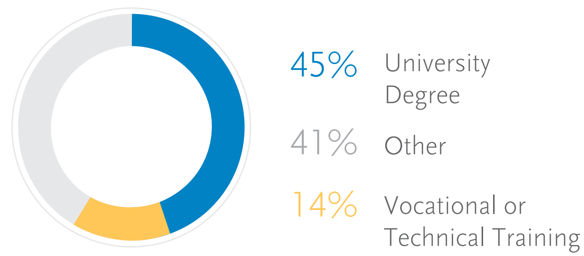
We were proud to see our commitment to employee engagement reflected in the results of our 2014 Workplace Audit Survey, which measures employees' motivation and feelings about Össur as an employer. Motivation, engagement, and job satisfaction all measured as areas of strength and one of our highest scores showed that employees feel their work has an impact on the success of the company.

Our company culture is to be full of excitement for innovation and learning. Employees are motivated to push for better outcomes and big breakthroughs by working together and sharing their knowledge. Our drive for increasing knowledge is reflected in the many learning opportunities we provide, including workshops, coaching, job shadowing and leadership development programs.

Gender Ratio



Education



Do you want to work with us?

For job opportunities at Össur please go to our website: www.ossur.com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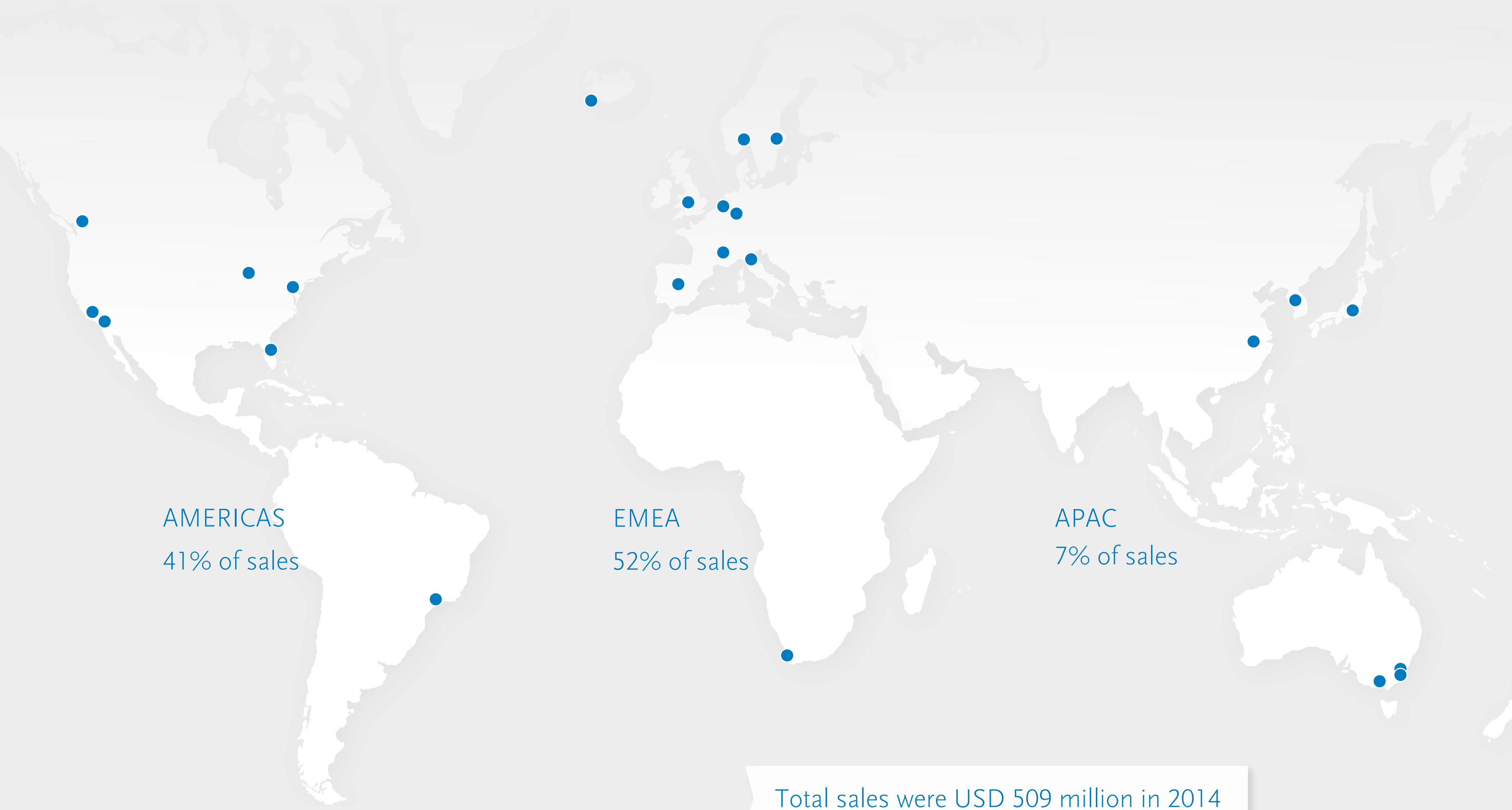
Össur Locations



AMERICAS

41% of sales

EMEA

52% of sales

APAC

7% of sales

Total sales were USD 509 million in 2014

Össur has offices and extensive operations in the Americas, Europe and Asia-Pacific. During the past decade, the Company has transformed itself into a global leader in non-invasive orthopaedics with operations in 18 countries and diversified sales in terms of market segments and geographical spread.

Össur Head Office

Össur's headquarters are located in Reykjavik, Iceland. Operations in Iceland include manufacturing, research and development, corporate finance, global marketing and a clinic serving the Icelandic market.

Össur Americas

Össur Americas is responsible for sales and marketing in the U.S., Latin America and Canada. The main sales office in the U.S. is located in Orange County, California. Distribution centers are located in Paulsboro, New Jersey and Camarillo, California. The Canadian sales office is in Richmond, Canada. Manufacturing facilities are located in Albion, Michigan and in Tijuana, Mexico. The Latin American market is serviced by a sales office in Porto Alegre, Brazil.

Össur Europe (EMEA)

Össur Europe provides sales, marketing and related services in Europe, the Middle East and Africa. Össur's main European office is in Eindhoven, Netherlands. Other European offices are located in Manchester, England; Uppsala, Sweden; St. Etienne and Trévoux, France; Frechen, Germany; Budrio, Italy and Madrid, Spain. Össur also operates a chain of clinics in Norway and Sweden. In addition to the European offices, the Company has an office located in Cape Town, South Africa.

Össur APAC

Össur APAC serves countries from Pakistan to New Zealand. Its key markets are Japan, Australia, China, Korea and India. The main office is located in Shanghai, China. Other offices are located in Seoul, Korea; Sydney and Melbourne, Australia, Tokyo, Japan and in Singapore.

Össur Head Office
Reykjavik, Iceland

Össur Americas
Foothill Ranch, California, USA

Össur Europe (EMEA)
Eindhoven, Holland

Össur APAC
Shanghai, China

Markets

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

BUSINESS SEGMENTS

Bracing and Supports

- Össur's bracing and supports products are used primarily to support joints and other body parts for therapeutic and preventative purposes. The bracing and supports market includes devices supporting spinal, knee, hip, foot, ankle and upper extremities. The Company offers a comprehensive line of custom made and off-the-shelf products with primary focus on Osteoarthritis and Injury Solutions.
- Össur's management estimates that the size of the bracing and supports market within the U.S., EMEA and APAC is in the range of USD 2.7 to 3.0 billion. Össur is the second largest company operating in the global bracing and supports market with market share approximately 10%.

Prosthetics

- Prosthetics are 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 limb prosthetics, including liners, knees and feet.
- Össur's management estimates that the size of the prosthetic market within the U.S., EMEA and APAC is approximately USD 1.0-1.2 billion. Össur is the second largest company operating in the prosthetics market with market share approximately 20%.

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.

End-Users	Prescribers	Providers	Payers	Influencers
Individuals that use the products.	Healthcare professionals who prescribe products, based on the condition/ clinical indication of the user.	Healthcare professionals who provide users with products, such as CPO's, doctors, podiatrists.	Public and private insurance companies. About 95% of Össur's sales are reimbursed by a third party.	Healthcare systems, insurance companies, medical associations, end-users and their families.

Industry Dynamics

An aging population, changing lifestyles, technological developments and healthcare regulations are fundamental drivers of change in the orthopaedic industry.

Aging Population

The increasing number of the total global population aged 65 and older will underpin market growth as an aging society brings an increase in the frequency of vascular diseases and diabetes, two of the main causes of amputation, as well as an increasing need for compression therapy solutions. An aging population also means an increased amount of fractures, joint instability and joint afflictions such as Osteoarthritis, which increases the demand for different forms of bracing and supports products.

Lifestyle

Obesity, which can result in diabetes and vascular diseases, is reaching epidemic proportions. Since diabetes and vascular diseases are the main causes of amputation, as the number of people afflicted by these diseases increases, the demand for prosthetics is expected to increase as well. Obesity and an aging population are also the main market drivers for Osteoarthritis. As active lifestyles and participation in sports increase, the demand for different types of support products continues to

Market environment in both segments has similar characteristics.

MARKET DRIVERS

- Aging and more active population
- Increased instances of conditions such as obesity, diabetes, vascular diseases, stroke and arthritis
- Technically advanced products
- Minimal side effects of non-invasive treatments
- Demand for higher quality of life

MARKET CHALLENGES

- Efforts to hold back growth in healthcare expenditures
- Improved treatment options (surgery, wound care, etc.)
- Easily accessible pain medication as an alternative to bracing and supports products
- Changes to reimbursement structure
- Service consolidation

grow due to an increased number of sports related injuries and an increased demand for preventive products.

Technological Development

New technologies and technological combinations, as well as new materials, continuously yield improved products. Such technological advances lead to total market growth as demand is created for more technically advanced and expensive solutions.

Healthcare Regulations

Healthcare providers are constrained by budgets and, accordingly, they demand cost effective solutions without compromising quality. This has led to substantial investment in systems demonstrating and providing functional, clinical and health economical outcomes to potential buyers. Two vital requirements for any market player in the orthopaedics industry are the ability to adapt to changing healthcare requirements and tailoring product offerings to meet the prevailing regulatory system.

The vast majority of Össur's products are reimbursable through diverse public and private reimbursement systems. Reimbursement systems vary substantially between countries and product markets. Payers for Össur's products usually include government reimbursement plans or insurance companies. Össur applies its reimbursement know-how from the earliest stages of product development to the post-sale education of customers. The Company pursues several strategies to manage and influence the reimbursement of Össur products and focuses on proving and communicating the functional, health economical and clinical outcome of its products.

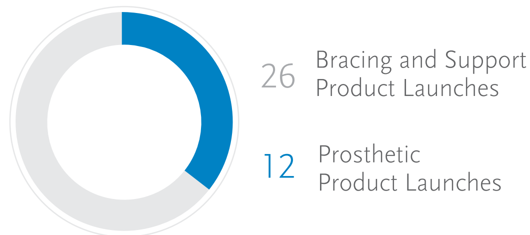
Innovation

Össur's R&D vision is to be the industry leader in creating the future of orthopaedics through clinically validated innovative solutions.

At Össur, we define innovation as not just the creation of new ideas, but also their profitable implementation. Innovation is a key pillar of Össur's strategy and the catalyst for the Company's organic growth. In 2014, R&D investment amounted to USD 19.1 million, corresponding to 3.7% of total sales. With synergy and economies of scale, R&D investments have decreased relative to sales. Investment in R&D enables Össur to continually introduce pioneering products and solutions that improve people's mobility and quality of life for the benefit of users and healthcare systems. At the same time, continuous focus on product improvements, both with regard to function and cost effectiveness, as well as ongoing product rationalization, improves Össur's profitability. All internal R&D investments are expensed as incurred.

Össur R&D operates departments in Reykjavík, Iceland; Foothill Ranch, CA, USA and Saint-Etienne, France.

R&D secured a steady pipeline of products during 2014, with 38 product launches: 12 in prosthetics and 26 in bracing and supports.



In order to maintain continuous organic growth and profitability, our R&D will focus on:

- Continuing to introduce comprehensive, indication-based product lines addressing medical needs.
- Developing valuable solutions for users, clinicians and other healthcare stakeholders based on proven medical necessities.
- Engaging in further open innovation activities by proactively searching for and attracting ideas, knowledge and technology from external sources.
- Exploring the feasibility of breakthrough technologies to create innovative solutions that set new standards.
- Increasing focus on sustainability and minimizing environmental impact.
- Optimization of manufacturing as a part of product design.
- Strategically growing IP portfolio.

Indication Based Innovation

Össur's indication-based innovation approach refers to the Company's increased efforts to produce products that are medically indicated and clinically validated through product development. In the development process, Össur's R&D teams rely on medical and biomechanical evidence, as well as health economic data, in order to develop valuable concepts for individuals and healthcare systems. In order to obtain clinical evidence for product outcomes, Össur initiates and promotes clinical studies in cooperation with recognized scientists, institutions and healthcare professionals.

As a part of the indication based approach, Össur has identified clinical pathways for increasing and improving its product and service range. Clinical pathways refer to the different stages of progression and treatments of diseases. Mapping out clinical pathways involves identification of possible points of intervention for products specifically tailored for different stages of disease development and applied treatments. Moreover, Össur monitors epidemiological trends for diseases and medical conditions relevant to the Company's product offerings in order to identify unmet needs and possible opportunities.

Functional Healing™

Össur applies its seal of approval for Functional Healing to products that provide a validated healing solution that maximizes mobility. Össur continues to strengthen the Functional Healing concept by providing a range of solutions that are designed to enhance the body's natural healing process while maintaining mobility.

Based on 40 years of biomechanical experience, Functional Healing products incorporate proprietary technologies and are specially designed to supplement current treatment options. They provide support for the injured tissues while allowing for gradual increase of mobility as the healing occurs. Functional Healing products are developed for use in specific indication-based protocols. The clinical outcomes associated with the products' use are validated by means of in-house testing, customer trials, clinical studies or existing clinical references.

Rebound® Cartilage was the first product launched within the Functional Healing platform and was well received by the market in

2014. Two additional products, the Rebound® Diabetic Walker and the Rebound® PCL, were introduced in 2014. Numerous exciting products are in the pipeline for 2015, which will continue to solidify Össur's commitment to Functional Healing.

The Rebound PCL is the world's first dynamic PCL brace and is designed to apply a physiologically correct, dynamic force during rehabilitation of posterior cruciate ligament (PCL) ruptures. The introduction of this new technology will pave the way for dynamic braces to be added to relevant treatment protocols.

Bionic Technology

Össur is the industry leader when it comes to bionic technology, offering complete bionic prosthetic solutions for low to active users. In 2014, a third generation of the RHEO KNEE® was introduced to the market, offering unprecedented function among microprocessor knees. The RHEO KNEE 3 is based on magnetorheologic technology that provides an instant response so users never have to wait for the knee to catch up with them. The five-sensor gait detection ensures stability and dynamic response in every situation. This results in the knee continuously adapting to the user and the environment, offering greater safety, symmetry and confidence when walking. The introduction of the extension lock mechanism, to lock the knee in full extension, further increases safety and comfort under specific circumstances.

The same technology upgrade was implemented in the SYMBIONIC® LEG 3, an integrated bionic prosthesis that combines a microprocessor knee and powered microprocessor ankle. With its unique, intelligent terrain adaptation capabilities, the SYMBIONIC LEG 3 provides stability while walking on everyday surfaces, such as grass, slopes, or uneven ground, without having to literally watch every step. Designed to enhance a user's safety through powered toe lift and stumble recovery, the leg contributes to reduced risk of trips and falls.

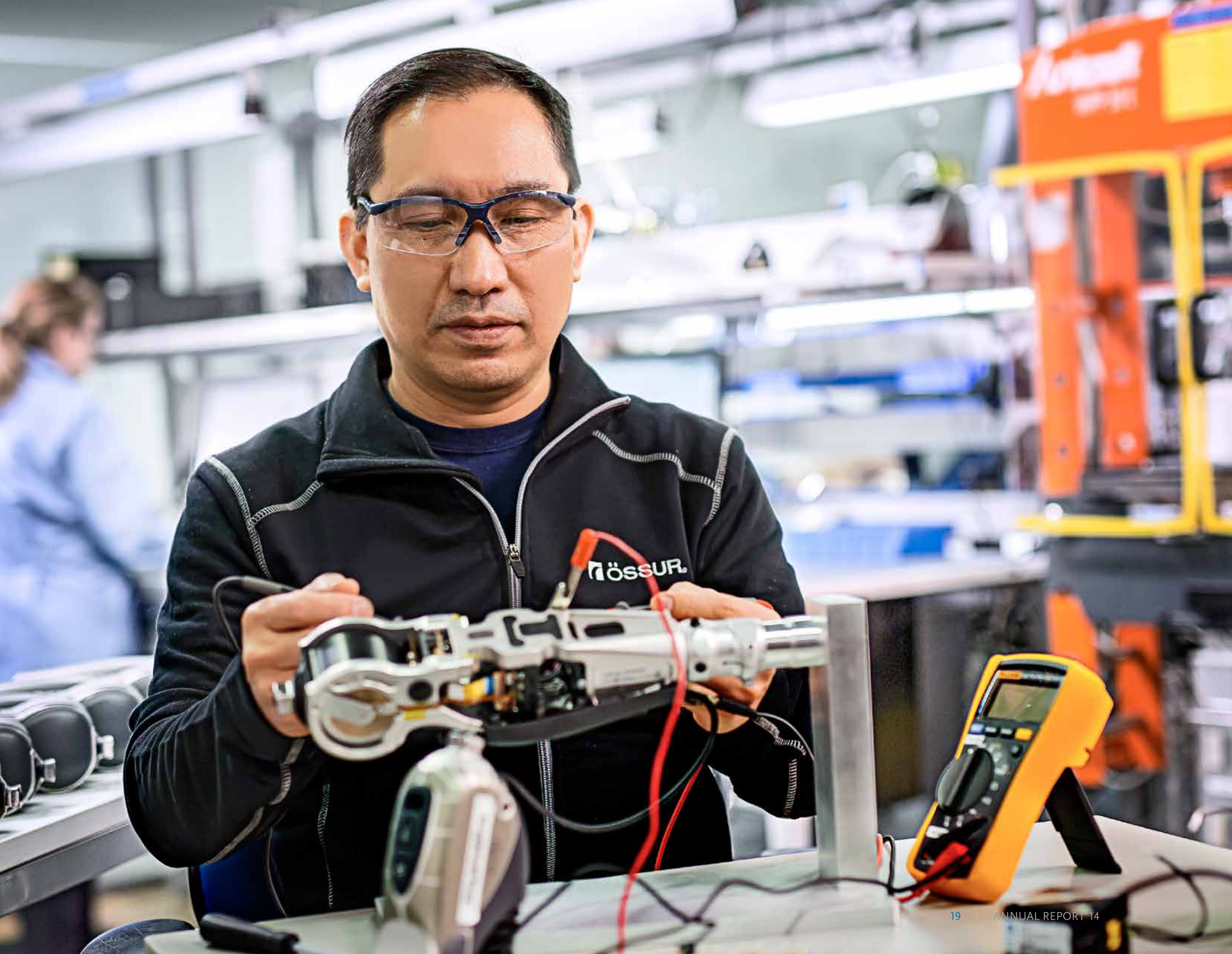
The importance of bionic prosthetic solutions within Össur's product portfolio continues to rise, amounting to 17% of all Össur prosthetic component sales in 2014.

Intellectual Property

Össur's IP strategy is to actively protect its rights to intellectual property generated through in-house innovation, acquisitions and licenses. The Company's IP portfolio is thus aligned with its overall business objectives and is diversified and representative of the areas of expertise in which the Company focuses its R&D efforts. The Company also has a licensing program for monetizing its non-core IP.

Össur proactively defends against threats to its intellectual property rights, such as competition that infringes on Össur's patents and commercial exploitation of new products. Although IPR conflicts demand considerable resources, Össur is determined to vigorously defend its market position and investment in R&D.

At the end of 2014, Össur's worldwide IP portfolio consisted of 1009 granted patents and designs and 427 patent and design applications. In addition, Össur has 458 registered trademarks and 44 pending registrations in selected markets.


ÖSSUR

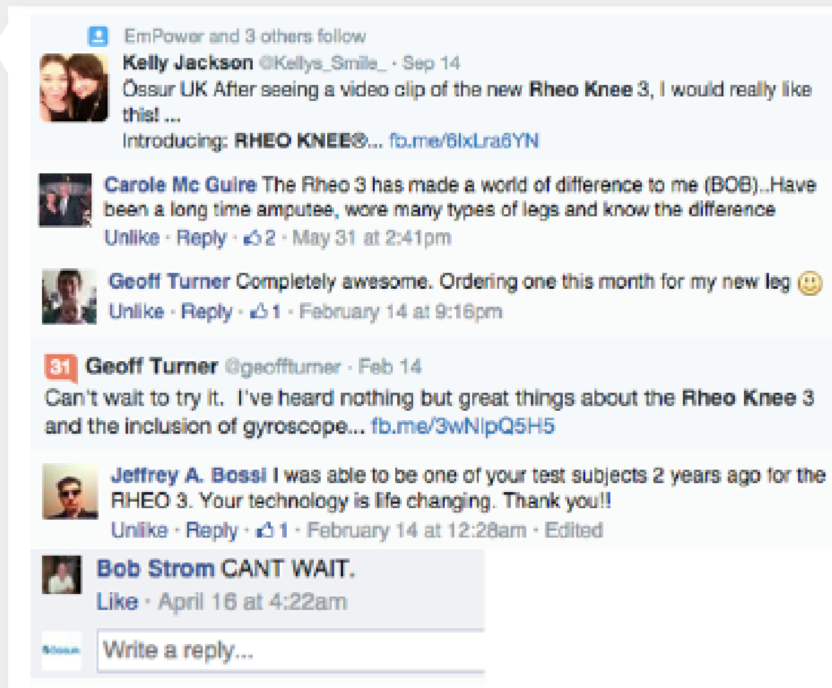
RHEO KNEE® 3 – Successful Global Campaign

A new and improved RHEO KNEE was introduced to the market, offering unprecedented function among microprocessor knees. The successful launch of the RHEO KNEE 3 in 2014 can be attributed to numerous factors, one of which is the implementation of an integrated global marketing communications campaign where a consistent message was delivered to customers through multiple channels and touch points. A global, multi-functional task force was created early during the product development process to address the marketing strategy from all sides. Focus was also placed on aligning messaging and maintaining consistency between markets. The campaign included everything from educational seminars delivered by the Össur Academy, reimbursement support communicated through a dedicated blog, print and digital advertising, messaging and displays at events, media outreach and social media. The inspiring visuals and consistent messaging were also backed up by user testimonials, which resonated with medical professionals and users alike.

- Product launched January 2014
- Positive customer feedback and word of mouth
- Aligned global communication

SOCIAL MEDIA

Video has been played over 10000 times



Approach to Corporate Social Responsibility

Össur has been committed to the active development of Corporate Social Responsibility for many years. The following is an overview of the Company's approach to CSR, as well as key measurements and progress. Össur also publishes a separate report on its CSR progress, which includes further details and approaches to various aspects of the CSR initiatives.

Values

Össur is committed to maintaining high standards of ethical, environmental and social responsibility. The Company's values are honesty, frugality and courage. These values serve as the foundation and driving force behind Össur's culture, guiding employees in their day-to-day activities and decision-making. Össur's values encourage employees to take social, ethical and environmental stands beyond the Company's legal obligations. In addition, these values help the Company adapt to the various cultures in which it conducts business. Currently, Össur operates in 18 countries.

Engagement

Össur has monitored aspects and initiatives of CSR since 2008. During this time, Össur has increased its engagement with multiple stakeholders, addressing important areas of the business. By reaching out to stakeholders, Össur has strengthened relationships and increased the Company's understanding of the environment in which the stakeholders operate. This helps Össur to better understand and react faster to dilemmas that might occur.

THE GLOBAL COMPACT

WE SUPPORT

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.

UN Global Compact and UN Women's Empowerment Principles

Össur joined the UN Global Compact in 2011, committing to 10 principles with regards to human rights, labor practices, environmental concerns and anti-corruption. In 2014, Össur signed the UN Women's Empowerment Principles, showing further commitment in the area of Human Rights.

Guidelines and standards

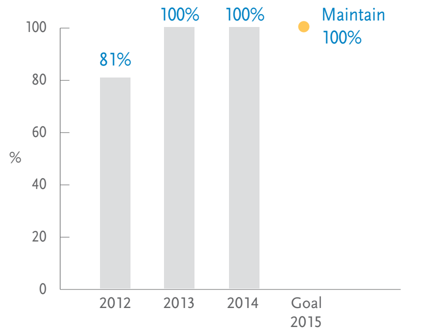
Össur monitors various aspects of CSR and publishes measurements and future goals. When Össur first started working on CSR as a special initiative, the Company focused on two main areas: environmental concerns and fair operating practices. Since then, these efforts have been expanded to most areas of the business.

To structure and support CSR initiatives, Össur has used resources and guidelines issued by the Global Compact and GRI (Global Reporting Initiative), as well as the ISO 26000 standards. In Össur's CSR progress report, measurements and indicators used are internal KPI's, however some of them are based on GRI indicators. Currently, the main CSR focus areas are: the workplace, with special emphasis on equality, health and safety, product suppliers, consumers, quality, environment and anti-corruption and bribery.

Further information about Össur's CSR activities can be found in the 2014 progress report, available on the Company's website: www.ossur.com/CSR

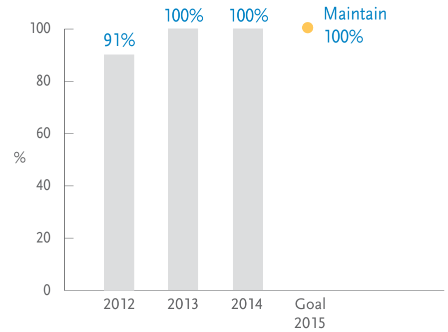
MESUREMENT ON HUMAN RIGHTS

Clauses in agreements with product suppliers on human rights



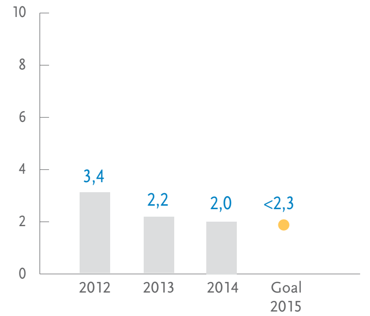
MESUREMENT ON HUMAN RIGHTS

Suppliers Audited regarding child labor



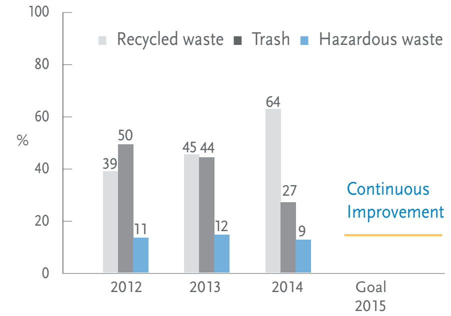
MESUREMENT ON SAFETY

Incidents per 100 employess



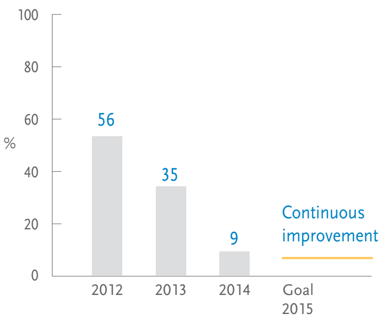
MEASUREMENT ON WASTE

Total weight of waste by type and disposal method



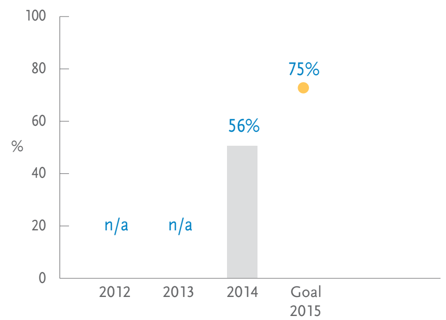
MESUREMENT ON SAFETY

Incident Rate Improvements



HUMAN RIGHTS AND ANTI-CORRUPTION

Percentage of raw-material suppliers that have signed statements on human rights and anti-corruption



Board of Directors

Össur's Board of Directors is composed of five members who are elected at the Company's Annual General Meeting for a term of one year. The Board of Directors works in accordance with the Company's Articles of Association and its own formal rules of procedure. Seven board meetings were held in 2014.

Niels Jacobsen

Chairman of the Board of Directors, born in 1957, resides in Denmark. Member of the Board since 2005 and Chairman since 2006. Mr. Jacobsen is President and CEO of William Demant Holding A/S, a Danish industrial group in the hearing healthcare field. Previous positions include President of Orion A/S and vice president overseeing corporate affairs for both Atlas Danmark A/S and Thrige-Titan A/S. Mr. Jacobsen is also a board member of a number of Danish companies and organizations, including LEGO A/S (chairman), KIRKBI A/S (deputy chairman), A.P. Møller-Mærsk A/S (deputy chairman). He holds directorships in a number of wholly and partly owned companies in the William Demant Group, including Oticon A/S (chairman), William Demant Invest A/S (managing director), Sennheiser Communications A/S (board member), Jeudan A/S (deputy chairman), HIMPP A/S (chairman), HIMSA A/S (chairman) and HIMSA II A/S (board member). Furthermore, he holds a seat on the central board of the Confederation of Danish Industries. Mr. Jacobsen holds a M.Sc. (Business Administration) from the University of Aarhus in Denmark (1983). He and his related parties hold 193,405 shares in the Company, but he holds no share options in the Company. Mr. Jacobsen is the managing director of William Demant Invest A/S, the Company's largest shareholder, which holds 187,085,828 shares in the Company. He has no interest links with the Company's main clients or competitors. Mr. Jacobsen is a dependent member of the Board.

Arne Boye Nielsen

Member of the Board of Directors since 2009, born in 1968, resides in Denmark. Mr. Nielsen has spent his entire career with William Demant Holding A/S in various and expanding roles throughout the world. After working as a management assistant to Mr. Niels Jacobsen and as an interim general manager of Oticon Australia Pty Ltd., Mr. Nielsen assumed, in 1996, his current position as President of Diagnostic Instruments, which has operations worldwide. Mr. Nielsen is a member of the board of Sennheiser Communications A/S and Phonic Ear A/S as well as President of Interacoustics A/S. He has a B.Sc. degree and a M.Sc. degree in Business Administration from the Copenhagen Business School in Denmark. He neither has shares nor share options in the Company. Mr. Nielsen was nominated to the Board by William Demant Invest A/S, the Company's largest shareholder. He has no interest links with the Company's main clients or competitors. Mr. Nielsen is a dependent member of the Board.

Kristján Tómas Ragnarsson

Vice Chairman of the Board of Directors, born in 1943, resides in the United States. Member of the Board since 1999 and Vice Chairman since 2012. Since 1986, Dr. Ragnarsson has served as a professor and Chairman 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. Dr. Ragnarsson graduated from the University of Iceland's School of Medicine in 1969 and was certified by the American Board of Physical Medicine and Rehabilitation in 1976. He and his related parties hold 623,789 shares in the Company, but he holds no share options. 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.

Svafa Grönfeldt

Member of the Board of Directors since 2008, born in 1965, resides in Iceland. Dr. Grönfeldt is the Chief Organizational Development Officer of Alvogen, an American generic pharmaceutical company. Previous positions include President of Reykjavik University, deputy to the CEO of Actavis Group hf., Assistant Professor of Economics and Business Administration at the University of Iceland and Managing Director and Managing Partner of IMG Gallup/ Deloitte. Dr. Grönfeldt holds a Doctorate in Industrial Relations from the London School of Economics. She neither holds shares nor share options in the Company. Dr. Grönfeldt has no interest links with the Company's main clients, competitors or major shareholders. Dr. Grönfeldt is an independent Board member.

Guðbjörg Edda Eggertsdóttir

Member of the Board of Directors since March 2013, born in 1951, resides in Iceland. Ms. Eggertsdóttir is a professional management consultant. Her 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. Her board experience is extensive, including seats as board member of Iceland Chamber of Commerce, Chairman of the Board of Directors of Auður Capital hf., and alternate board member of Promote Iceland, as well as Director of PrimaCare ehf., Pretium ehf., Actavis Group PTC ehf. and Medis ehf. Ms. Eggertsdóttir holds a M.Sc. (Pharm.) from Copenhagen University (1976). She and her related parties hold 26,318 shares in the Company, but she holds no share options. 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

Jón Sigurðsson

Össur President and Chief Executive Officer since 1996, born 1956, resides in the United States. He is a board member of Rio Tinto Alcan in Iceland and Chairman of the Icelandic American Chamber of Commerce. Mr. Sigurdsson 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). He holds a B.Sc. degree in Industrial Engineering from Odense Technical College in Denmark and a Master's degree in Business Administration (MBA) from the United States International University in San Diego. Mr. Sigurdsson and his related parties hold 458,834 shares in the Company. He has no interest links with the Company's main clients, competitors or major shareholders.

Mr. Sigurdsson's experience as a member of the Board of Directors in other organizations includes:

- The Icelandic American Chamber of Commerce since 2012
- Rio Tinto Alcan Iceland since 2003
- 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

Egill Jónsson

Executive Vice President of Manufacturing and Operations, born 1957. Mr. Jónsson has been with Össur since 1996, and led the division from that period. He was formerly a Project Manager at VGK hf (1985-1996), an Engineering firm in Reykjavik. Mr. Jónsson has a Master's degree in Mechanical Engineering from the Technical University in Copenhagen, DTU (1984). He and his related parties hold 822,749 shares in the Company.

Jos van Poorten

Managing Director of EMEA, born in 1964. Mr. van Poorten has been with Össur since 2002. For the first 10 years he was the Financial Director for Össur EMEA and, since 2013, the Managing Director of EMEA. He has a Bachelor's degree in Economics and a Master's degree in Controlling from the University of Maastricht in Holland. Mr. van Poorten holds no shares in the Company.

Margrét Lára Friðriksdóttir

Executive Vice President of HR and Corporate Strategy, born in 1978. Mrs. Fridriksdóttir has been with Össur since 2000 in various roles. She has a Bachelor's degree in Business Administration and a Master's degree in Management and Strategy from the University of Iceland. Mrs. Fridriksdóttir holds 14,100 shares in the Company.

Ólafur Gylfason

Executive Vice President of Sales & Marketing, born 1969. Mr. Gylfason has been with Össur since 1997; from 2001-2013 as the Managing Director of EMEA and previous to that in emerging markets. Mr. Gylfason holds a degree in Business Administration from Bifrost School of Business. He continued his studies at Alborg University in Denmark, graduating with a Master's degree in International Business Economics in 1997. Mr. Gylfason holds no shares in the Company.

Sveinn Sölvason

Chief Financial Officer (CFO), since May 2013, born in 1978. Mr. Solvason 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. Mr. Solvason holds a Master's degree in Finance and Accounting (Cand.Merc.FIR) from Copenhagen Business School. He holds no shares in the Company.

Þorvaldur Ingvarsson

Executive Vice President of R&D, born 1960, joined Össur in 2009 as Medical Officer. Dr. Ingvarsson holds an MD from University of Iceland and a Ph.D. from the University of Lund in Sweden with an emphasis on osteoarthritis and health economic outcomes. Prior to joining Össur, he held a medical director position and a CEO position within the hospital setting, and has 19 years of experience as an orthopaedic surgeon. Dr. Ingvarsson has been an Associate Professor at the University of Iceland since 2005 and a board member of Medor since 2011. He is an experienced board member, having served on the board of the University Hospital in Akureyri (1998-2009) and various governmental committees in Iceland for innovation, healthcare and IT. Dr. Ingvarsson holds no shares in the Company.

Össur Shares

Development in 2014

Össur shares were listed on NASDAQ in Iceland in 1999 and on NASDAQ Copenhagen in 2009. Össur's share price increased by 69%, from DKK 10.5 per share at yearend 2013 to DKK 17.7 per share at yearend 2014. The rise in share price increased Össur's market capitalization from DKK 4,764 million at yearend 2013 to DKK 8,031 million at yearend 2014. Össur is the 27th largest company listed on NASDAQ Copenhagen when measured in terms of market value and the 2nd largest company in the mid-cap category.

Shareholders

The Company's shareholders base increased by 524 shareholders in 2014, from 2,748 shareholders at yearend 2013 to 3,272 at yearend 2014. About 93% of the Company's shares are held by Danish and Icelandic shareholders and the shareholders holding the remaining 7% of shares are spread out between 26 different countries.

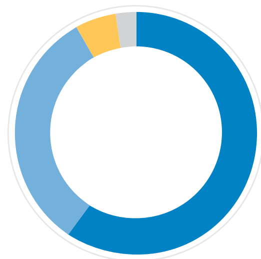
Share Capital and Treasury Shares

The share capital of the Company is 453,750,000 and is divided into the same amount of shares. There is only one class of shares and all shares carry one vote.

In November 2014, Össur purchased 9,863,578 of own shares (approx. 2.2% of outstanding shares) on NASDAQ Iceland. The total purchase

Share Holding by Country

as of 31.12.2014



58% Denmark
35% Iceland
5% UK
2% Other

ÖSSUR HF.
Listed 1999

STOCK EXCHANGE
NASDAQ Copenhagen

TICKER SYMBOL
OSSR

ADR TICKER
OSSUY

NUMBER OF SHARES
453,750,000

MARKET CAP 31.12.2014
DKK 8,031 million
USD 1,311 million

MAJOR SHAREHOLDERS at the time of announcement

The following shareholders had announced holdings above 5% of the share capital and/or votes as at 31 December 2014:

Investor	Type of fund	Country	Holding
William Demant Invest A/S	Investment Fund	Denmark	41.20%
ATP	Pension fund	Denmark	6.20%
The Pension Fund of Commerce	Pension Fund	Iceland	6.01%
Gildi	Pension Fund	Iceland	5.47%

Össur's largest shareholder, William Demant Invest A/S, has been a leading shareholder since 2005. Niels Jacobsen, President and CEO of William Demant Holding A/S, has been the Chairman of the Board of Directors since 2006.

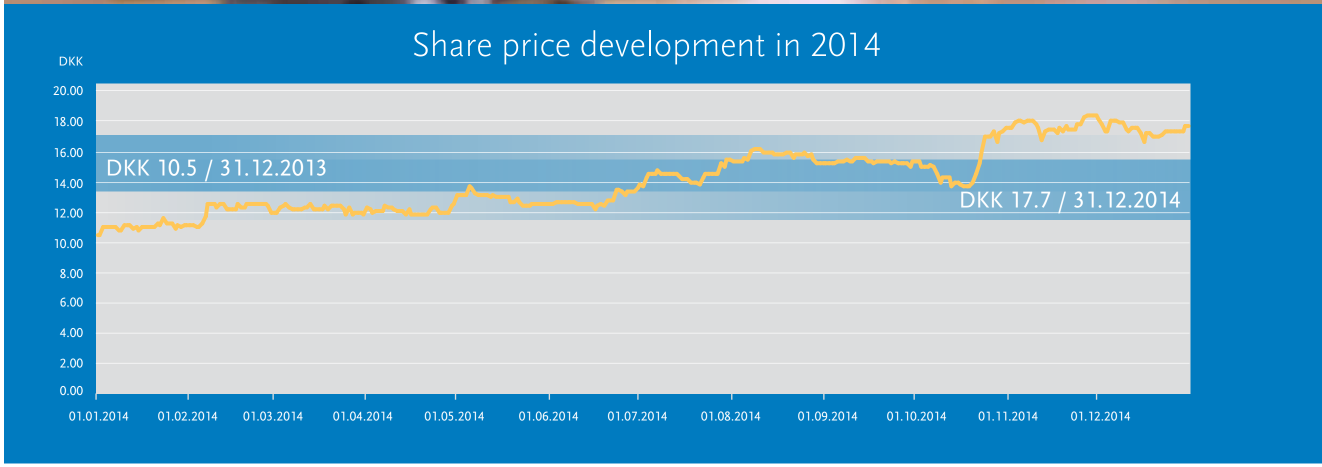
price was approx. DKK 172 million (approx. USD 28.8 million).

The purpose of the share buy-back transaction was to adjust the capital structure in line with the Company's desired capital level of net interest bearing debt in accordance to the Company's Dividend Policy.

At yearend 2014, treasury shares totaled 12,106,755. The Board of Directors will propose to the Annual General Meeting in 2015 to reduce the share capital by ISK 7,456,755 by way of cancelling 7,456,755 of the Company's own shares of ISK 1 nominal value each. If the motion is approved by the Annual General Meeting, the Company will hold 4,650,000 own shares that may be used to settle share options vesting in 2015.

Investor Relations

To keep investors updated on financial and business developments, the Company hosts conference calls following quarterly financial results release and other key events. The CEO, CFO and investor relations provide numerous conference calls and travel frequently to ensure that shareholders, analysts and potential shareholders have access to the Company's management and investor relations. In addition, Össur participates in various healthcare conferences, both in Europe and the U.S. Through open and proactive communication,



the Company seeks to provide the basis for fair and efficient pricing of its shares.

Össur regularly hosts Capital Markets Day, presenting and introducing various aspects of the Company to its stakeholders. The next Capital Markets Day will be held in Copenhagen in June 2015.

IR Policy

The Company's IR policy is to disclose financial and corporate information in order to provide comprehensive and accurate information to investors, analysts and other stakeholders. This disclosure helps investors, analysts and other stakeholders better understand Össur's current and expected developments.

At all times, Össur complies with relevant laws and regulations, as well as the disclosure obligations of NASDAQ. Össur adheres to the principle of equal treatment of all stakeholders.

Financial Calendar for 2015	
12 March 2015	AGM 2015
29 April 2015	Q1 Results
23 July 2015	Q2 Results
22 October 2015	Q3 Results
2 February 2016	Q4/FY Results
10 March 2016	AGM 2016

Quiet Period

The end of a quarter up until the day of release of the relevant quarterly materials is considered a "quiet period." For the full-year report, a period of four weeks prior to the release of the report is considered a quiet period. During the quiet period, Össur does not comment on matters related to financial results or expectations.

Further details about Össur's IR policy can be found on the Company's website: www.ossur.com/investors

Capital Structure and Dividend Policy

Through consistent profitability, growth and strong cash flow, Össur has built a strong balance sheet. At yearend 2012, Össur had decreased its debt levels significantly and was in a position to return capital to shareholders. Therefore, the Board of Directors proposed a Dividend Policy to the shareholders at the March 2013 AGM. In February 2015, the Dividend Policy was extended to a Capital Structure and Dividend Policy. The Capital Structure and Dividend Policy enables the management to optimize the capital structure, manage interest bearing debt level and maintain flexibility for acquisitions.

Current Capital Structure and Dividend Policy

Össur's policy is to maintain a healthy balance sheet and a level of net interest bearing debt of USD 50-140 million.

Excess capital is returned to shareholders via annual cash dividends and/or purchase of own shares.

Össur's policy is to distribute a relatively stable cash dividend. The cash dividends will be decided annually in DKK per share.

Return of capital to shareholders is based on objectives of maintaining a solid financial position, operational outlook and investment requirements.

The Board of Directors will propose to the Annual General Meeting in 2015 that the Company pays a cash dividend of DKK 0.12 per share for 2014, an increase of 20% from 2013 and equivalent to 14% of net earnings in 2014.

Annual General Meeting

According to the Company's Articles of Association, the AGM should be held before the end of April. The meeting is convened with at least three weeks' notice, using the same procedures as other shareholders meetings. The AGM results are sent to the Stock Exchange immediately following the meeting, and are also made available on the Company's website.

Össur's AGM will be held at the Company's headquarters in Iceland on 12 March 2015.

Contact Investor Relations:

Eva Soley Gudbjornsdottir
Vice President of Investor Relations
Tel.: +354 664 1155
e-mail: evag@ossur.com

Shareholder Information on the Internet

Össur's website is updated frequently throughout the year with information about the Company's results, strategy, products, and other activities. All company announcements, financial statements and teleconferences can be viewed and downloaded from the website. Information about the share price development and other share related information can also be found on the website. In addition, the website contains extensive information about the Company's products and technology.

www.ossur.com –www.ossur.com/investors

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Össur Press Releases in 2014

29.01	FY/Q4 Results 2013 – Conference call 6 Feb
05.02	Full year results 2013
06.02	Share options settled
20.02	Annual General Meeting (AGM) 14 March
20.02	Annual Report 2013
28.02	AGM final agenda and proposals
11.03	Candidates to the Board of Directors
14.03	Results of AGM
14.03	Board decisions following the AGM 14 March
25.04	Q1 Results – Conference call 30 April
29.04	Q1 Results
30.04	Insider trading
25.06	Major shareholder announcement
16.07	Q2 Results – Conference call 25 July
24.07	Q2 Results
16.10	Q3 Results – Conference call 24 October
23.10	Q3 Results
03.11	Share options settled
17.11	Trading of own shares
17.11	Major shareholder announcement
17.11	Share buy-back
19.12	Reporting calendar 2015

Overview 2014

Highlights 2014

- Net profit increased by 45% and amounted to USD 59 million or 12% of sales, compared to USD 41 million or 9% of sales in 2013.
- Sales amounted to USD 509 million compared to USD 436 million in 2013, corresponding to 18% growth and 5% organic growth, both measured in local currency.
- Bracing and supports sales growth in 2014 was 18% and 1% organic, both measured in local currency.
- Prosthetics sales growth in 2014 was 17% and 11% organic, both measured in local currency.
- Gross profit amounted to USD 323 million and 63% of sales, compared to USD 270 million and 62% of sales in 2013.
- EBITDA increased by 38% and amounted to USD 104 million or 20% of sales, compared to USD 75 million or 17% of sales in 2013. EBITDA margin adjusted for one-time expenses was 18% of sales in 2013.
- Cash generated by operations amounted to USD 98 million or 19% of sales, compared to USD 73 million or 17% of sales in 2013.
- Two small acquisitions were completed in the Asia-Pacific segment, APAC (previously referred to as Asia segment) during the year, which further strengthened the sales platform.
- The Board of Directors will propose to the Annual General Meeting in 2015 that the Company pays a cash dividend of DKK 0.12 per share for 2014, an increase of 20% from 2013 and equivalent to 14% of net earnings in 2014.
- The Board of Directors will also propose to the Annual General Meeting to reduce the share capital by cancelling 7,456,755 of the Company's own shares.

Operating Income

Sales amounted to USD 509 million compared to USD 436 million in 2013, corresponding to 18% growth and 5% organic growth, both measured in local currency.

Bracing and Supports

Bracing and supports sales grew by 18% and 1% organic compared to 2013, both measured in local currency. Sales performance in EMEA was strong in all main markets: Scandinavia, Germany, France and UK, while there was some turbulence in smaller markets, such as Russia and Turkey. Sales in Americas declined in the year as market conditions continued to be challenging. The sales performance was further affected by product rationalization efforts and more focus on high-end products resulting in increased profitability. Sales performance in APAC continued to be strong.

Prosthetics

Prosthetics sales grew by 17% and 11% organic compared to 2013, both measured in local currency. Sales performance in EMEA continued to be strong across all major markets and product lines. Sales performance in Americas was solid and was driven by growth in all major product lines. The prosthetics market in Americas continued to show signs of stabilization and the effects from regulatory audits have temporarily subsided. All markets in APAC contributed to excellent sales growth.

The strengthening of the USD against other major operating currencies, primarily in Q4, impacted the full year operating results negatively. Sales were negatively impacted by USD 7 million. Gross profit was negatively impacted by USD 5 million, and EBITDA by USD 3 million.

"We closed the year with yet another strong quarter despite adverse currency fluctuations which negatively impacted our operating results. This year has been excellent operationally with strong profitability and cash flow. We have successfully been harvesting from our efficiency improvement projects. Prosthetics sales growth was excellent across all our major markets and product lines with good contribution from the latest bionic product, RHEO KNEE® 3. Sales growth in bracing and supports was in line with expectations. Our continued emphasis on increased profitability from product rationalization efforts and focus on selling high-end, innovative products is yielding promising results."

Jón Sigurðsson, President & CEO

SALES BY REGIONS

USD m	2014	% OF SALES	GROWTH USD	GROWTH LCY	ORGANIC GROWTH LCY
EMEA	267	52%	30%	33%	7%
Americas	209	41%	1%	1%	1%
APAC	33	7%	41%	42%	16%
Total	509	100%	17%	18%	5%

SALES BY SEGMENT

USD m	2014	% OF SALES	GROWTH USD	GROWTH LCY	ORGANIC GROWTH LCY
Bracing and supports	296	58%	17%	18%	1%
Prosthetics	212	42%	16%	17%	11%
Other	1	0%	48%	42%	-8%
Total	509	100%	17%	9%	5%

Gross Profit

Gross profit amounted to USD 323 million and 63% of sales, compared to USD 270 million and 62% of sales in 2013. The increase in the gross profit margin when comparing to 2013 was a result of favorable product mix changes and efficiency in manufacturing while the margin was negatively impacted by currency fluctuations.

EBITDA

EBITDA increased by 38% and amounted to USD 104 million or 20% of sales, compared to USD 75 million or 17% of sales. EBITDA margin adjusted for one-time expenses was 18% of sales in 2013.

The increase in EBITDA and EBITDA margin was largely a result of improved gross profit margin and efficient operations. Currency fluctuations have marginal negative impact on the EBITDA margin when compared to 2013.

Financial Items, Tax and Net Profit

Net financial expenses amounted to USD 8 million compared to USD 4 million in 2013. Net exchange rate difference was negative by USD 4 million compared to positive USD 1 million in 2013. However, interest expenses continue to decrease as a result of lower debt and lower interest rates on the debt.

Income tax amounted to USD 18 million, corresponding to a 24% effective tax rate, compared to USD 14 million and 26% effective tax rate in 2013. The drop in the effective tax rate in 2014 is due to a one-off revaluation of a deferred tax liability as a result of recent changes in state tax regulations in the U.S.

Net profit increased by 45% and amounted to USD 59 million or 12% of sales, compared to USD 41 million or 9% of sales in 2013.

Diluted earnings per share amounted to 13.1 U.S. cents, compared to 9.1 U.S. cents in 2013, increasing by 44%.

Cash Flow

Cash generated by operations amounted to USD 98 million or 19% of sales, compared to USD 73 million and 17% of sales in 2013. The cash flow was driven by strong cash flow from operations and positive impact from net working capital.

Capital expenditures during the year amounted to USD 17 million or 3.3% of sales, compared to USD 17 million and 3.9% of sales in 2013.

Acquisitions

Two small acquisitions were completed in APAC during the year, one in Q1 and the other in the beginning of Q3, further strengthening the sales platform in the region. These acquisitions, and a recent acquisition in Scandinavia, are performing according to plan.

Financial Guidance for 2015

The financial guidance for the full year of 2015 is as follows:

- Total sales growth LCY in the range of 4-6%
- Organic sales growth LCY in the range of 3-5%
- EBITDA margin in the range of 20-21% of sales
- Capital expenditures in the range of 2.5-3.5% of sales
- Effective tax rate around 26%

The financial guidance assumes the prevailing economic outlook in key markets and no major fluctuations of major operating currencies.

Total sales growth is expected to be 4-6% and organic sales growth is expected to be 3-5%, both measured in local currency. The difference between the expected total sales growth and expected organic sales growth is due to full year impact from an acquisition in APAC made in Q3 2014. In prosthetics, continued strong performance is expected in key markets although at lower growth rates than observed in 2014. In bracing and supports, EMEA and APAC sales performance is expected to be good, while sales in Americas will continue to be challenged by difficult market conditions and affected by product rationalization efforts, and an increased focus on high-end products.

EBITDA margin is expected to be in the range of 20-21% of sales. In 2014, adjusted EBITDA margin increased by 2 percentage points. In 2015, margins are expected to be stable to slightly improving, mainly driven by continued cost control, favorable product mix effects and efficiency in manufacturing.

Capital expenditures are expected to be in the range of 2.5-3.5% of sales and in line with previous years.

Effective tax rate is expected to be around 26% and in line with previous years, adjusted for the one-off effects discussed above in 2014.

Product Highlights

In 2014, 38 new products and product upgrades were introduced to the market: 26 bracing and supports products and 12 prosthetic products. Sales of bionic products during the year accounted for 17% of prosthetic component sales, compared to 13% in 2013.

Product highlights during the year include:

RHEO KNEE 3 is the third generation of Össur's first bionic product. The new RHEO KNEE 3 is suitable for a broader range of users, offering enhanced support, in particular for low active users.

Unity for K2 Sensation unifies three technologies, the K2 Sensation foot, which has a flexible full length fiberglass keel, designed to promote user confidence and stability; the Seal In® X TF silicone liner, the latest innovation in Seal-In technology with a separate and moveable seal to suit individuals with above knee amputations; and finally the new Unity system that generates elevated vacuum in the prosthetic socket through gait.

Rebound PCL is the world's first dynamic PCL brace. It is designed to apply a physiologically correct, dynamic force, optimum for rehabilitation of posterior cruciate ligament (PCL) ruptures, whether during functional (non-surgical) treatment or post-surgical reconstruction. The Unloader FIT is a lightweight and easy to fit Osteoarthritis Solution for individuals suffering from knee osteoarthritis.

PRODUCT HIGHLIGHTS DURING THE YEAR

RHEO KNEE® 3

UNITY® FOR K2 SENSATION®

REBOUND® PCL

UNLOADER® FIT

Prosthetics

Bracing & Supports

Risk Factors

Investment in Össur's shares involves a high degree of risk. Össur's business, financial conditions and results of operations going forward rest upon certain assumptions and could be seriously harmed if any of the factors described below occur. The Company cannot ensure that its assumptions will be correct. Furthermore, additional risks and uncertainties not presently known to Össur, or that it currently deems immaterial, may adversely affect its business operations and financial results. The risk factors discussed below are not listed in order of priority.

General Risks

Össur's assumptions regarding market trends may prove incorrect.

Assumptions regarding demographic trends are important factors in Össur's business decisions. The Company expects, for example, that the population of elderly will continue to grow, that an increasing proportion of this population will live an active lifestyle and that the number of people with diabetes will increase in the future. No assurance can be made that these assumptions will prove to be correct or that these demographic trends will result in a demand for the Company's products and services.

Össur is subject to risks related to its international operations.

Headquartered in Reykjavík, Iceland, Össur has significant operations in the U.S. and Europe, as well as operations in Asia, Australia, Africa and South-America. Össur's business and operations are therefore subject to various risks inherent to international operations. Such risks include, among others, recessionary trends, inflation, instability of financial markets, exposure to different legal standards and enforcement mechanisms, trade barriers, rules regarding the origins of products, labor unrest, foreign exchange controls, human rights, corruption and political and social instability.

Product liability claims could adversely impact Össur's financial conditions, operations and reputation.

Össur is responsible for the safety and effectiveness of its products. Össur engages in internal quality control and product testing procedures to mitigate the risk and also carries insurance. However, the Company cannot guarantee that it won't be found liable for a product liability claim in the future or that the insurance coverage is sufficient or will continue to be available on commercially reasonable terms.

Össur's business is subject to healthcare industry reforms and legislative and regulatory changes.

Most of Össur's products and services are reimbursed by third-party payers, including both government healthcare programs and private health insurance plans. All third-party payers have developed and continue to develop increasingly sophisticated or aggressive methods of controlling healthcare costs, including review of claims, selective contracting and competitive bidding. These cost-control methods also potentially limit or even eliminate the coverage and the amount of payment for which third-party payers may be willing to pay for medical products and services. As such, the continuing efforts of both governmental and private payers of healthcare to contain or reduce costs, could lead to patients being unable to obtain approval for payment from these third-party payers. If that were to occur, sales of Össur's products and services may decline significantly and its customers may reduce or eliminate purchases. Reviews of claims may lead to repayment of prior sales. Future legislative or regulatory initiatives directed at reducing costs could be introduced. In addition, changing healthcare trends such as increasing premiums or deductibles for patients may have an adverse effect on Össur's business. The Company cannot predict the impact of future legislative or regulatory initiatives on its business.

O&P clinics depend on publicly and/or privately funded patients.

Insurance coverage varies greatly between countries and considerable sales and profit in Össur's O&P clinics are directly dependent on government contracts and tender business. Government contracts are subject to policy

changes and subsequent loss in sales and profit. Tender contracts for O&P clinical services are regularly renewed and can be lost to competitors with a direct negative impact on the business.

Össur is required to comply with regulatory requirements and receive regulatory clearance and approval for its products or operations.

Össur's products are medical devices that are subject to extensive regulation in the U.S. by the Food and Drug Administration (FDA), and by respective authorities in other countries where Össur conducts its business. Such regulation can restrict virtually all aspects of a medical device's design and testing, manufacture, safety, labeling, storage, recordkeeping, reporting, clearance and approval, promotion, distribution and services. Failure to comply with the regulatory requirements of the applicable authority may subject a company to administrative or judicially imposed sanctions ranging from warning letters to criminal penalties or product withdrawal. Össur's failure to comply with regulatory requirements or receive regulatory clearance and approval for its products or operations, including healthcare fraud and abuse laws and regulations, would adversely affect Össur's sales and potential for future growth.

Össur is exposed to litigation from international investors.

Össur has an international shareholder base and is therefore exposed to risk of litigation from international investors.

Risks Related to Human Resources

Össur needs to attract and retain qualified and competent human resources.

Össur continuously works to attract and retain qualified and competent employees to maintain Össur's innovative edge and financial success. Failing to attract and retain key employees, managers and experts, or not developing them adequately, puts the Company at risk.

Össur is exposed to employee litigation, regulatory sanctions and strikes.

Össur is exposed to risk of litigation and regulatory sanctions for employment practices. The Company mitigates these risks by adhering to relevant policies and procedures, educating managers on best practices, monitoring changes to employment legislation and carrying insurance. However, the Company cannot guarantee that it will not be found liable in the future or that insurance coverage is sufficient or will continue to be available on commercially reasonable terms. Össur is also exposed to risk related to strikes.

Risks Related to Corporate Finance

Risk relating to acquisitions.

A substantial proportion of Össur's growth in recent years has been driven by acquisitions. No assurance can be given that Össur will be successful in identifying appropriate acquisition targets in the key markets in which the Company operates or desires to operate. Acquisitions involve a number of risks, including diversion of management resources and management focus, integration risk, unexpected or high integration costs, failure to retain key employees of the acquired business and failure to attain expected synergies. To mitigate risk, Össur conducts due diligence on the operations of acquisition targets and seeks protection through representations and warranties from the sellers.

Össur is exposed to financing risks and instability within financial markets.

As a global business Össur is exposed to various risk factors originating in the international financial markets, among which are liquidity risk, interest rate risk, foreign exchange risk, credit risk and counterparty risk on cash held with financial institutions. These risk factors are managed according to internal rules that are outlined in the Company's treasury policy. Össur's functional and reporting currency is the U.S. dollar, hence fluctuations in local currencies can have an impact on the operations of the Company. Össur does not utilize derivatives or other financial instruments for hedging risk relating to currency fluctuations. Fluctuation in the exchange rates between the U.S. dollar, Euro, Icelandic krona and other markets currencies where Össur operates can therefore have an impact on the financial condition and results of Össur's operations.

Össur's financing and tax structure are subject to laws and governmental approvals.

Össur is committed to complying with tax rules and paying all legally required taxes. At the same time, the Company has a responsibility to the shareholders to legally minimize costs and maximize earnings. Össur's tax strategy is to strive for optimizing taxes through a flexible and effective financing and tax structure. The goal is to balance benefits against risks and costs while at the same time meeting reporting obligations, compliance obligations and corporate social responsibilities. Össur recognizes that some areas are not free from doubt and that differing legal interpretations may be possible, meaning that from time to time, tax authorities may not share or question Össur's interpretation. Also, relevant laws and regulations may change, resulting in higher taxes or required changes may have to be made to the tax and legal structure.

Össur is dependent on IT systems.

Össur's business is supported by several systems. The systems that are classified as mission critical are the ERP, warehouse, phone and email systems, as well as infrastructure like servers, networks, databases and storage systems. Failure in these systems can have a serious impact on the business, such as reduced or lost ability to receive orders, complete deliveries or manufacture. To improve reliability, Össur consolidated its systems into one highly reliable data center in the U.S. and mission critical systems are replicated in a disaster recovery site located in Europe.

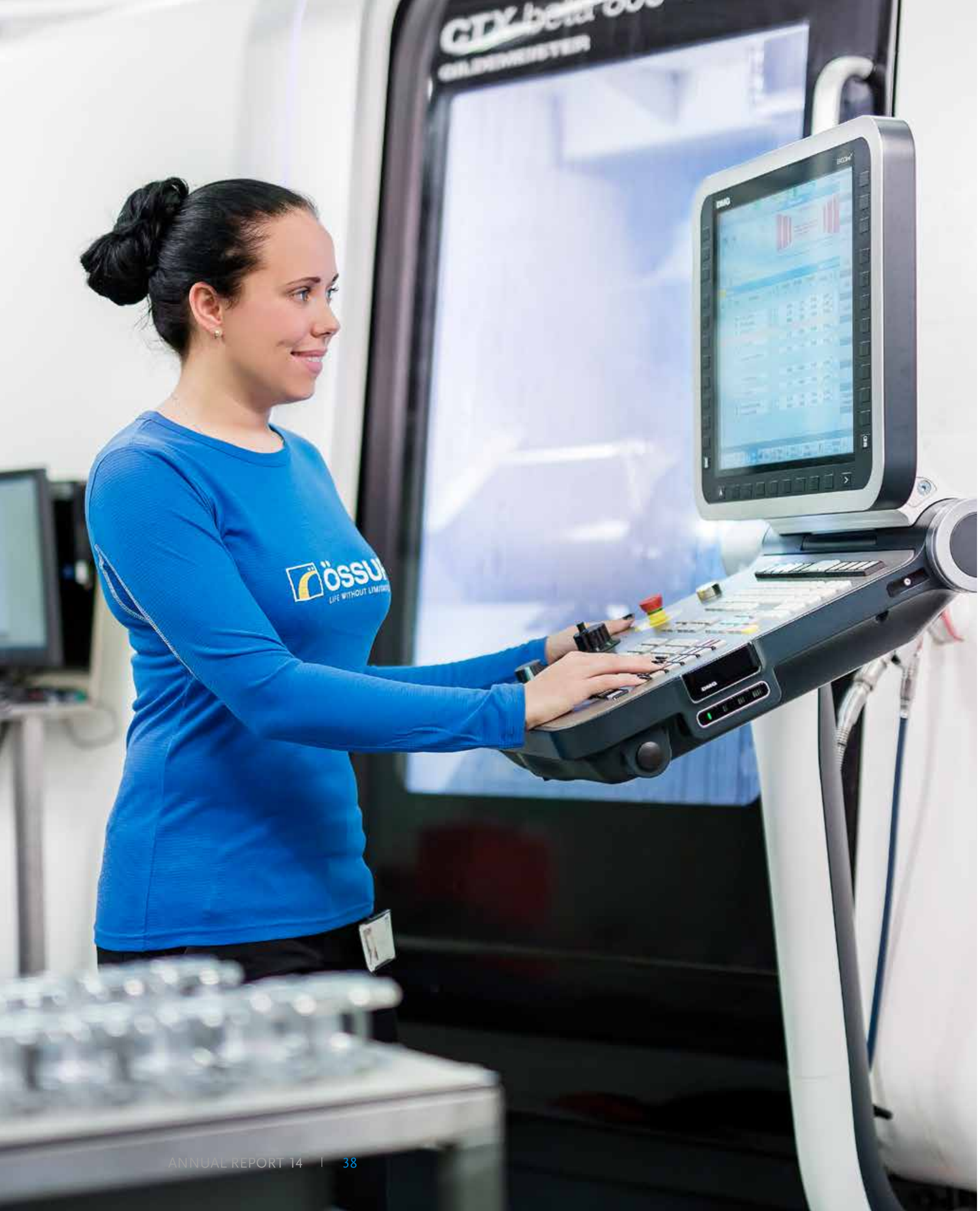
Össur's activities are subject to privacy laws, which could have an impact on its operations.

Data privacy laws and regulations, including the Health Insurance Portability and Accountability Act in the U.S. regulate the transmission, maintenance, use and disclosure of protected health information. There are costs and administrative burdens associated with ongoing compliance with these data privacy laws and any failure to comply with current and applicable future requirements could adversely affect Össur's profitability.

Risks Related to Research & Development

Össur may be adversely affected by developments in medicine.

Össur's main products are intended to improve the quality of life for individuals suffering the effects of injuries, amputations or illnesses. No assurance can be given that Össur's target market will not be materially diminished by advances in medical science or that Össur will be able to generate comparable sales from alternative market segments.



Össur may be unable to develop or secure the use of new technologies.

Össur operates in markets that are characterized by rapid technological change, driven by extensive research that is carried out by market participants. The development by any of Össur's competitors of substitute products that better satisfy market demands could have a material adverse effect on Össur's business and results of operations. A failure by Össur to develop new products or enhance existing products could also have a material adverse effect on the Company.

Össur is subject to risks relating to the protection of intellectual property rights.

Össur relies on a combination of patents, trademarks, trade secrets and non-disclosure and non-competition agreements to protect its intellectual property, and will continue to do so. While Össur intends to defend against any threats to its intellectual property, there can be no assurance that these patents, trademarks, trade secrets or other agreements will adequately protect Össur. Although Össur's product design process has mechanisms in place to create, to the best possible extent, IPR freedom for the commercial exploitation of new products, the Company may be exposed to accusations of intellectual property rights infringement.

Risks Related to Sales & Marketing

Össur relies on healthcare professionals and other agents in connection with the sale and distribution of its products.

Össur's sales depend primarily on the prescriptions and recommendations of its products by healthcare professionals. The Company has developed and maintained close relationships with a number of orthopaedics and prosthetic (O&P) clinics that support and recommend the Company's products. A failure to maintain the support of such orthopaedics professionals and O&P clinics, or a failure to develop relationships with new healthcare professionals and O&P clinics, could adversely affect Össur's business and results of operations.

Össur may not maintain and increase its position as a market leader in non-invasive orthopaedics.

Össur's aim is to play a leading role in the likely continuance of consolidation in its markets. Össur's success is subject to multiple factors both internal and external. As for external factors, the risk remains that competitors may accelerate the consolidation of the market, and strengthen their own position, at the expense of other participants like Össur. Additionally, competition from emerging markets or new competitors could undermine Össur's market position.

Össur also positions most of its products and services in the high-end market. Failing to provide sufficient evidence for higher value products and services to payers, customers and patients might result in a price shift or loss of business affecting the overall business of Össur. Össur also maintains its market position by relying upon a strong brand image and reputation, which creates a risk that the brand's position could be adversely affected by the actions of Össur's employees or brand ambassadors.

Össur relies on agents and third-party distributors in connection with the sale and distribution of its products.

Third-party agents and distributors sell a portion of Össur's products. The Company's largest wholesale customer accounted for 5% of the Company's net sales at year-end 2014. Other distributors accounted for less than 2% of net sales for the same period. These agents and distributors are not employees of Össur and Össur may be unable to influence their actions and performance.

Risks Related to Manufacturing & Operations

Össur is vulnerable to disruptions to its production and distribution facilities.

Össur's production and distribution facilities may be adversely affected by man-made or natural disasters. Össur has worked on certain risk ranking programs in all its manufacturing facilities, and successfully reduced the level of risk and increased awareness among employees. However, a disruption of Össur's production facilities could adversely affect the Company's production output which, in turn, would impair the Company's ability to fulfil customer orders. This could lead to a decline in sales and increased costs due to necessary shifts in production within the Company and the possible need to outsource production. The Company maintains insurance to cover such losses. No assurance can be given, however, that insurance payments would be sufficient to cover the full loss resulting from a disruption in Össur's production or that Össur's insurance would cover the event that causes the disruption.

Össur is dependent on certain suppliers

Össur is dependent on suppliers that manufacture products for the Company. Failure to deliver products or breakdown of one of Össur's key suppliers could adversely affect the financial results of the Company. To mitigate this risk Össur audits its suppliers on regular basis.

Össur is dependent on certain raw materials.

Össur's products require silicone, carbon, metals and other raw materials. Such raw materials may not always be available on favourable terms, or at all.

Corporate Governance

This statutory statement on corporate governance is made in accordance with Article 66 (c) of the Icelandic Financial Statements Act No. 3/2006, as amended. This statement has been approved by the Board of Directors and is published in the Annual Report and on the Company's website. This statement covers the financial year that ended on 31 December 2014.

This statement includes information on the following items:

- A reference to the corporate governance recommendations the Company follows and how the Company addresses the recommendations, including any deviations and explanations thereto.
- A description of the main aspects of internal controls and risk management systems in connection with the preparation of financial statements.
- A description of the Company's organizational structure and the role and composition of each function.

1. Corporate Governance

The Company has chosen to follow the Danish Recommendations on Corporate Governance because the Company's shares are traded on NASDAQ OMX Copenhagen. In the explanations of clause 4.3 of NASDAQ OMX Copenhagen's rules for issuers of shares, it is recommended to apply the Danish Recommendations if foreign companies are not subject to other rules. Applying the Danish Recommendations will also make it easier for investors on the Danish market to assess the Company's corporate governance practices.

The latest Danish Recommendations on Corporate Governance, issued by the Corporate Governance Committee in May 2013 and updated in November 2014, are available on the Committee's website: www.corporategovernance.dk.

The Company complies with the vast majority of the Danish Recommendations. The few deviations are explained below. A complete report on the Company's compliance with each recommendation is available on the Company's website.

- The CEO is responsible for the execution of the Company's equal opportunities plan. The plan is not discussed annually within the Board of Directors.
- The Company's Articles of Association do not include a provision on a fixed retirement age for members of the Board of Directors. In the Board's opinion, age is irrelevant as long as the contribution of the respective member of the Board is considered valuable.
- The majority of the Board of Directors (3 of 5) is considered dependent. Two of the members of the Board represent the interest of the Company's controlling shareholder. One member has served on the Board for 16 years. The two other members of the Board are considered independent. In the Board's opinion it is normal and understandable that two of the five members of the Board represent the controlling shareholder. It is also the Board's opinion that its longest serving member is in fact acting independently of special interests, and his skills and experience, including his medical expertise and knowledge of the U.S. healthcare system, are valuable to the Board and ensures diversity within it.
- No nomination committee has been established and a remuneration committee was abolished in 2010. The Company has not had such a committee since. In the Board's opinion such committees are not necessary taking into account the size of the Board and the balanced and relevant expertise and experience of the current Board members. The Board has the role and responsibilities such committees would otherwise have.
- The Remuneration Policy does not include criteria that ensure that vesting period for variable components of remuneration agreements are longer than one calendar year. Bonuses for short-term performance may be paid quarterly, semi-annually or annually. The Company believes it is important to have certain flexibility to pay out

such bonuses. However, the Remuneration Policy states that if bonus payments have clearly been based on false, misleading or insufficient data, such payments shall be repaid to the extent correct data shows that no or lower bonus would have been paid.

- The Company's Share Incentive Scheme, approved at the Company's Annual General Meeting in 2012, is not a rollover program. Share options are granted in full at the beginning and not periodically. However, the Company intends to introduce a new Share Incentive Program to the Annual General Meeting in 2015 that will be a rollover program.

2. Main aspects of internal controls and risk management systems in connection with preparation of financial statements

Internal controls

The Board of Directors has an ongoing dialogue with the CEO about the identification, description and handling of business risks to which the Company may be exposed. Material risks and risk management are discussed in the Annual Report.

The Company's risk management and internal controls, in relation to financial processes, are designed to control the risk of material misstatements. The Company designs its processes to ensure there are no material weaknesses with internal controls that could lead to a material misstatement in its financial reporting. The external Auditors' evaluation of these processes is included in the Auditor's Report.

The Company goes through a detailed strategic and forecast process each year, and a strategy and forecast report is prepared. The Board approves the Company's strategy, forecasts and targets each year. Performances against targets are monitored on a monthly basis. This includes a year-by-year comparison where the main reasons for changes are explained. A twelve-month forecast is available at all times. Forecasts are updated quarterly and the reasons for changes in forecasts are explained.

To ensure the accuracy of the Company's financial reporting systems, the following policies, procedures and guidelines for financial reporting and internal control have been adopted, to which the subsidiaries and reporting units must adhere:

- Continuous analysis of year-by-year comparison.
- Continuous follow-up on results achieved compared to assumptions in forecasts.
- Policies for IT use, insurance, cash management, procurement, etc.
- Reporting instructions as well as reporting and finance manuals.

The responsibility for maintaining sufficient and effective internal control and risk management in connection with financial reporting lies with the CEO.

The Company does not have an internal audit function, but uses internal control systems that are monitored by the Audit Committee and assessed by the external Auditors.

External Auditors

An auditing firm is elected at the Annual General Meeting for a term of one year. The external Auditors are not allowed to own shares in the Company. The external Auditors shall examine the Company's annual consolidated financial statements in accordance with international standards on auditing, and shall, for this purpose, inspect account records and other material relating to the operation and financial position of the Company. The external Auditors shall have access to all of the Company's books and documents at all times. The external Auditors report via the Audit Committee to the Board of Directors on any significant findings regarding accounting matters and any significant internal control deficiencies.

3. Organizational structure and the role and composition of each function

According to the Company's Articles of Association the Company is managed by:

- Shareholders' Meetings
- The Board of Directors
- The Chief Executive Officer

Shareholders' Meetings

The supreme authority in all affairs of the Company, within the limits established by the Company's Articles of Association and statutory law, is in the hands of shareholders at lawful Shareholders' Meetings.

The Company's controlling shareholder, William Demant Invest A/S, holds 41.2% of the shares and voting rights.

The Board of Directors

According to the Company's Articles of Association the Board of Directors is responsible for the affairs of the Company between Shareholders' Meetings.

The Board shall operate in accordance with the Company's Articles of Association and the Board's Rules of Procedure. The principal duties of the Board are as follows:

- Appoint a CEO to manage the Company's daily operations, decide on the salary and terms of employment, establish terms of reference and supervise the CEO's work.
- Supervise the Company's activities and ensure that the Company's organization and operations are in good and proper order.
- Establish goals for the Company in accordance with the Company's objectives pursuant to the Articles of Association, and formulate the policy and strategy required to achieve these goals.
- Ensure adequate surveillance of the accounting and financial management of the Company.
- Evaluate the Company's capital structure each year.

The Audit Committee

The Audit Committee shall operate in accordance with its Rules of Procedure. The principal duty of the Audit Committee is to ensure the quality of the Company's Consolidated Financial Statements and other financial information, and the independence of the Company's Auditors.

The Chief Executive Officer

According to the Company's Articles of Association the Board of Directors appoints a CEO to manage the Company's daily operations.

The principal duties of the CEO are as follows:

- The CEO is responsible for daily operations and is obliged to follow the Board's policy and directions, within the limits provided for by the Articles of Association and law. The daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board, unless it is impossible to wait for the Board's decision without substantial disadvantage to the Company's operations. In such an event the CEO shall inform the Board of his measures, without delay. If the Board has granted the CEO authority to sign on behalf of the Company and/or granted him powers of procuration, such authorizations are not limited by the following:
- The CEO shall decide on directorship in the Company's subsidiaries and associates on behalf of the Company.
- The CEO is responsible for the work and results of Executive Management.
- The CEO shall ensure that the Company's consolidated financial statements are prepared in accordance with the law and accepted practices, and the Company's assets are handled in a secure manner.

References to the executive board in the corporate governance recommendations only apply to the CEO.

Further information on the Board of Directors, the Audit Committee and the CEO can be found in the Annual Report and on the Company's website.

Remuneration

The Remuneration of Össur Board of Directors and Executives

	Position	Remuneration 2014[i] USD '000	Share options
Board of Directors			
Niels Jacobsen	Chairman of the Board	93	0
Kristján Tómas Ragnarsson	Vice Chairman	52	0
Arne Boye Nielsen	Board member	37	0
Svafa Grönfeldt	Board member	37	0
Guðbjörg Edda Eggertsdóttir	Board member	37	0
CEO and Executive Management			
Jón Sigurðsson	President &CEO	1.739	1.250.000
Executive management (6 persons)		2.784	2.300.000

(i) Salaries and related expenses.

Remuneration Policy

Board of Directors, President & CEO and Executive Management

It is the policy and priority of Össur hf. and its subsidiaries ("the Company") to attract and retain exceptional employees long-term. In order to achieve this, the Company must have in place a competitive compensation structure in each of its operations. To the extent possible, the remuneration of managers and other employees shall be harmonized and fair, taking into account their responsibilities, local trends, performance and other relevant factors.

This Remuneration Policy is designed and implemented to ensure, to the extent possible, the alignment of interest of the Board of Directors, the President & CEO and the Executive Management with the Company's performance long-term and value creation for shareholders.

The remuneration of the President & CEO and the Executive Management shall be determined as follows:

1. Fixed salary. When determining fixed salary, account should be taken of their responsibilities, local trends, performance and other relevant factors, such as the remuneration of their peers in other international companies of similar size.

2. Bonuses for short-term performance. Bonuses for short-term performance can be up to 67% of the basic salary. In determining bonuses, special attention shall be given to the Company's overall results, actual growth, long-term profitability and value creation for shareholders. Bonuses may be paid quarterly, semi-annually or annually.

   Bonuses may be paid with shares in the Company, in part or in full. The shares shall not be delivered until three years after the bonus has been determined.

   If bonus payments have clearly been based on false, misleading or insufficient data, such payments shall be repaid to the extent correct data shows that no or lower bonus would have been paid.

3. Share-based incentives for long-term performance. Share-based incentives, including share options, may be offered. The key terms of such share-based incentive agreements or plans shall be submitted to a Shareholders' Meeting for approval. Put options shall not be offered and no loans or guarantees shall be granted.

4. Pension contributions. Pension contributions are paid in accordance with applicable laws and employment agreements. No pension liabilities shall be undertaken, unless required by law.

5. Severance payments. No special retirement agreements shall be made. Instead mutual termination clauses in employment agreements shall apply. Termination clauses shall not exceed twenty-four (24) months.

6. Other benefits. Other benefits are awarded or reimbursed on the basis of individual employment contracts and local market practices.

The remuneration of the Board of Directors shall be approved by the Company's Annual General Meeting each year and paid in cash.

This Remuneration Policy shall apply to all future employment agreements with the President & CEO and the Executive Management. Existing agreements shall remain unchanged and in full force unless otherwise agreed by relevant parties.

The Remuneration Policy is binding for the Board as regards to share options, cf. item three above. In other instances the Remuneration Policy shall be of guidance for the Board. Any departure from the Remuneration Policy shall be recorded and reasoned in the Board's Minutes.

This Remuneration Policy has been approved by the Board of Directors of Össur hf. in accordance with Article 79. a. of the Icelandic Companies Act No. 2/1995, taking into consideration the Danish Recommendations on Corporate Governance. The Remuneration Policy is reviewed once a year and shall be approved at the Company's Annual General Meeting, with or without amendments.

ÖSSUR HF. CONSOLIDATED FINANCIAL STATEMENTS 2014

Financial Highlights and Key Ratios

CONSOLIDATED STATEMENTS			2014	2013	2012	2011
INCOME STATEMENT	Net sales	USD m	509	436	399	398
	Gross profit	USD m	323	270	248	246
	Operating expenses (excl, other income)	USD m	237	210	191	189
	EBIT	USD m	86	60	57	59
	Net profit	USD m	59	41	38	35
	EBITDA	USD m	104	75	70	73
SALES GROWTH	Sales growth USD	%	17	9	0	11
	Growth breakdown:					
	Organic growth in LCY	%	5	2	3	5
	Currency effect	%	(1)	1	(3)	3
	Acquired/divested business	%	13	6	1	4
BALANCE SHEET	Total assets	USD m	678	706	591	580
	Equity	USD m	442	448	408	365
	Net interest-bearing debt (NIBD)	USD m	93	108	82	111
CASH FLOWS	Cash generated by operations	USD m	98	73	71	68
	Free Cash flow	USD m	68	49	43	32
KEY RATIOS	Gross profit margin	%	63	62	62	62
	EBIT margin	%	17	14	14	15
	EBITDA margin	%	20	17	18	18
	Equity ratio	%	65	63	69	63
	Net debt to EBITDA		0.9	1.4	1.2	1.5
	Effective tax rate	%	24	26	26	26
	Return on equity	%	13	10	10	10
	CAPEX / Net sales	%	3.3	3.9	3.6	4.1
	Full time employees on average		2,214	1,765	1,860	1,864
MARKET	Market value of equity	USD m	1,311	880	606	676
	Number of shares	Millions	454	454	454	454
	Price/earnings ratio, (P/E)		22.1	21.7	15.8	20.0
	Diluted EPS	US Cent	13.1	9.1	8.4	7.7
	Diluted Cash EPS	US Cent	17.2	12.5	11.3	10.6

All amounts in thousands of USD

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 2014. 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.

Össur hf. designs, manufactures and sells orthopaedic products specializing in prosthetics and bracing and supports solutions. The Company is headquartered in Iceland and the Company owns and operates subsidiaries in the United States, Canada, Mexico, Brazil, France, the Netherlands, Germany, United Kingdom, Sweden, Norway, Iceland, Spain, S-Africa, China, Hong Kong, Korea, Singapore and Australia. The Company sells its products world wide, but the principal market areas are North America and Europe.

The total sales of the Össur Consolidation amounted to USD 509.4 million, compared to USD 436.3 million in the preceding year. This represents an increase in sales of 16.8%. Net profit amounted to USD 59.5 million compared to USD 41.0 million in 2013. Diluted Earnings per Share amounted to US cents 13.1 compared to US cents 9.1 in 2013. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 104.3 million compared to USD 75.5 million in the preceding year.

The total assets of the Össur Consolidation amounted to USD 677.8 million at year end, liabilities were USD 235.7 million and equity was USD 442.1 million. The equity ratio at year end was 65%, compared to 63% the preceding year.

In the course of the year the Company employed on average 2,214 employees and 2,233 at year end.

The Board of Directors and President and CEO of Össur hf. hereby confirm the Consolidated Financial Statements of Össur for the year 2014 with their signatures.

Össur is listed on the NASDAQ Copenhagen. The market value of the Company at year end was USD 1,311 million. During the year the share price in DKK increased by 69%. At year end, shareholders in Össur hf. numbered 3,272 compared to 2,748 at the beginning of the year. The ten largest shareholders and their ownership percentage are: William Demant Invest A/S - 41.2%, Lífeyrissjóður Verslunarmanna (Pension Fund)- 7.7%, Gildi lífeyrissjóður (Pension Fund) - 5.4%, Arbejdsmarkedets Tillægspension (Pension Fund) - 5.1%, Lífeyrissjóður starfsmanna ríkisins (Pension Fund) - 4.8%, JP Morgan Chase Bank - 3.8%, Stefnir IS-15 (Equity Fund) - 1.6%, Sameinaði lífeyrissjóðurinn (Pension Fund) - 1.4%, Stafir lífeyrissjóður (Pension Fund) - 1.3%, Topdanmark Livforsikring – 1.2%.

In its procedures, the Board of Directors complies with the Articles of Association of the Company, the Board of Directors' Rules of Procedure and follows the Danish Recommendations for Corporate Governance issued by the Danish Committee on Corporate Governance. The Rules of Procedure address issues such as allocation of responsibilities and power of decision within the Board, independency issues, confidentiality etc. An Audit Committee is present within the Board. The Board of Directors is composed of five members elected at each Annual General Meeting for a term of one year. The Board of Directors consists of two women and three men and therefore complies with Icelandic law on gender ratio which entered into effect on the 1st of September 2013. No Össur employee is sitting on the Board of Directors.

The Board of Directors recommends payment of dividends to shareholders in 2015 amounting to DKK 0.12 per share, this approximates USD 8 million and 14% of 2014 net profit. As regards to changes in the equity of the Company, the Board refers to the Notes attached to the Consolidated Financial Statements.

The Board of Directors and President and CEO of Össur hf. hereby confirm the Consolidated Financial Statements of Össur for the year 2014 with their signatures.

Reykjavík, 5 February 2015

BOARD OF DIRECTORS

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen
Guðbjörg Edda Eggertsdóttir

Kristján T. Ragnarsson
Svafa Grönfeldt

President and CEO
Jón Sigurðsson

Independent Auditor's Report

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ÖSSUR HF.

We have audited the accompanying financial statements of Össur hf, which comprise the statement of Board of Directors and the CEO, balance sheet as of 31 December, 2014, the income statement, statement of comprehensive income, statement of cash flow and statement of changes in equity, for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S AND THE BOARD OF DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management and the board of directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for listed companies and for such internal control as management and the board of directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Consolidated Financial Statements gives a true and fair view, of the financial position of Össur hf. as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for listed companies.

Kópavogur, 5 February 2015
Deloitte ehf.

Þorsteinn Pétur Guðjónsson
State Authorized Public Accountant

Signý Magnúsdóttir
State Authorized Public Accountant

Consolidated Income Statements 2014 and 2013

	NOTES	2014	2013
Net sales	2	509,357	436,274
Cost of goods sold		(186,231)	(166,336)
GROSS PROFIT		323,126	269,938
Other income		188	363
Sales and marketing expenses		(168,296)	(139,080)
Research and development expenses		(19,428)	(21,537)
General and administrative expenses		(49,651)	(49,477)
EARNINGS BEFORE INTEREST AND TAX (EBIT)		85,939	60,207
Financial income		207	217
Financial expenses		(3,968)	(4,619)
Net exchange rate difference		(4,351)	681
Net financial income / (expenses)	5	(8,112)	(3,721)
Share in net profit of loss associated companies		0	(1,197)
EARNINGS BEFORE TAX (EBT)		77,827	55,289
Income tax	6	(18,369)	(14,335)
NET PROFIT		59,458	40,954
Attributable to:			
-Owners of the Company		59,447	40,483
-Non-controlling interests		11	471
		59,458	40,954
EARNINGS PER SHARE	7		
Basic Earnings per Share (US Cent)		13.2	9.1
Diluted Earnings per Share (US Cent)		13.1	9.1

Consolidated Statements of Comprehensive Income 2014 and 2013

	NOTES	2014	2013
NET PROFIT		59,458	40,954
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Defined benefit plan actuarial gains / losses		(862)	0
Income tax relating to components of other comprehensive income		254	0
		(608)	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Change in cash flow hedges		622	1,036
Translation difference of shares in foreign operations		(24,498)	1,055
Income tax relating to components of other comprehensive income		(1,270)	538
		(25,754)	2,629
Total comprehensive income		33,704	43,583
Attributable to:			
-Owners of the Company		33,693	43,112
-Non-controlling interests		11	471
		33,704	43,583

ÖSSUR HF. CONSOLIDATED FINANCIAL STATEMENTS 2014

All amounts in thousands of USD

Consolidated Balance Sheet

ASSETS	NOTES	31.12.2014	31.12.2013
NON CURRENT ASSETS			
Property, plant and equipment	9	39,895	40,360
Goodwill	10	388,100	396,601
Other intangible assets	11	41,039	47,871
Other financial assets	13	10,007	5,486
Deferred tax assets	23	21,038	22,159
		500,079	512,477
CURRENT ASSETS			
Inventories	14	64,224	66,825
Accounts receivables	15	69,474	71,239
Other assets	16	15,522	13,938
Bank balances and cash	17	28,484	41,769
		177,704	193,771
TOTAL ASSETS		677,783	706,248

31 December 2014 and 31 December 2013

EQUITY AND LIABILITIES	NOTES	31.12.2014	31.12.2013
EQUITY			
Issued capital	18	169,198	198,365
Reserves		(21,421)	4,083
Retained earnings		293,055	244,202
Equity attributable to owners of the Company		440,832	446,650
Non-controlling interest in equity		1,292	1,387
		442,124	448,037
NON-CURRENT LIABILITIES			
Borrowings	20	121,718	129,556
Defined employee benefits	21	283	0
Deferred tax liabilities	23	21,335	21,117
Provisions	24	6,629	4,751
Other financial liabilities	22	471	1,264
		150,436	156,688
CURRENT LIABILITIES			
Borrowings	20	101	19,998
Accounts payable		17,504	21,070
Taxes payable		12,651	6,342
Provisions	24	3,770	4,491
Accrued salaries and related expenses		28,101	25,951
Other liabilities	26	23,096	23,671
		85,223	101,523
TOTAL EQUITY AND LIABILITIES		677,783	706,248

All amounts in thousands of USD

Consolidated Statements of Cash Flows 2014 and 2013

	NOTES	2014	2013
CASH GENERATED BY OPERATIONS			
Profit from operations		85,939	60,207
Depreciation and amortization	9,11	18,398	15,266
(Gain) / loss on disposal of assets		69	119
Change in provisions		(150)	(408)
Changes in operating assets and liabilities		(6,390)	(2,555)
		97,866	72,629
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Interest received		309	199
Interest paid		(3,089)	(3,426)
Income tax (paid)/received		(9,953)	(3,248)
		85,133	66,154
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets	9,11	(16,770)	(17,052)
Proceeds from sale of fixed assets		48	103
Acquisition of subsidiaries		(18,767)	(64,238)
Changes in financial assets		(5,333)	326
		(40,822)	(80,861)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		51,870	866
Repayments of long-term borrowings		(69,483)	(21,424)
Changes in revolving credit facility		(939)	61,630
Payment of dividends		(8,401)	(7,861)
Dividends from subsidiaries paid to non-controlling interests		0	(428)
Purchased treasury shares		(29,167)	0
		(56,120)	32,783
NET CHANGE IN CASH		(11,809)	18,076
Effects of exchange rate changes on:			
Balance of cash held in foreign currencies		(3,880)	(393)
Other items held in foreign currencies		2,404	2,208
CASH AT BEGINNING OF PERIOD		41,769	21,878
CASH AT END OF PERIOD		28,484	41,769
Additional information regarding cash flow	8		

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

	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	SHARE OPTION RESERVE	FAIR VALUE RESERVE	TRANSLATION RESERVE	ACCUMULATED PROFITS	ATTRIB, 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							40,483	40,483	471	40,954
Change in cash flow hedges net of tax					852			852		852
Translation difference of shares in foreign operations						1,777		1,777		1,777
Total comprehensive income for the period	0	0	0	0	852	1,777	40,483	43,112	471	43,583
Payment of dividends							(7,861)	(7,861)	(428)	(8,289)
Share option charge for the period				847				847		847
Share option forfeited				(298)				(298)		(298)
Share option vested during the period				(186)				(186)		(186)
Arising on acquisition								0	463	463
Movement of treasury shares	24	4,550					(391)	4,183		4,183
Balance at 31 December 2013	5,048	193,317	1,267	1,321	(735)	2,230	244,202	446,650	1,387	448,037
Net profit							59,447	59,447	11	59,458
Change in cash flow hedges net of tax					486			486		486
Translation difference of shares in foreign operations						(25,632)		(25,632)		(25,632)
Defined benefit plan actuarial gains / losses					(608)			(608)		(608)
Total comprehensive income for the period	0	0	0	0	(122)	(25,632)	59,447	33,693	11	33,704
Payment of dividends							(8,401)	(8,401)		(8,401)
Share option charge for the period				723				723		723
Share option vested during the period				(473)				(473)		(473)
Acquisition of Non-controlling interests							(2,193)	(2,193)	(106)	(2,299)
Purchase of treasury shares	(80)	(29,087)						(29,167)		(29,167)
Balance at 31 December 2014	4,968	164,230	1,267	1,571	(857)	(23,402)	293,055	440,832	1,292	442,124

All amounts in thousands of USD

Notes to the Consolidated Financial Statements

1. QUARTERLY STATEMENTS (UNAUDITED)

Quarterly information are not audited as the Company only requires an audit for the full year.

	FULL YEAR 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net sales	509,357	129,300	126,510	132,645	120,902
Cost of goods sold	(186,213)	(47,823)	(45,517)	(47,586)	(45,305)
Gross profit	323,126	81,477	80,993	85,059	75,597
Gross profit margin	63%	63%	64%	64%	63%
Other income	188	68	37	75	8
Sales and marketing expenses	(168,296)	(43,248)	(39,747)	(43,446)	(41,855)
Research and development expenses	(19,428)	(4,583)	(4,682)	(4,924)	(5,239)
General and administrative expenses	(49,651)	(12,600)	(12,183)	(12,195)	(12,673)
EBIT	85,939	21,114	24,418	24,569	15,838
Net financial income / (expenses)	(3,761)	(997)	(582)	(1,332)	(850)
Net exchange rate difference	(4,351)	(1,965)	(2,569)	(147)	330
Share in profit in associated companies	0	(5)	(4)	3	6
EBT	77,827	18,147	21,263	23,093	15,324
Income tax	(18,369)	(3,248)	(5,249)	(5,846)	(4,026)
Net profit	59,458	14,899	16,014	17,247	11,298
EBITDA	104,337	26,021	28,970	29,085	20,261
EBITDA ratio	20%	20%	23%	22%	17%

2. NET SALES

	2014	2013
Specified according to geographical segments:		
EMEA	267,098	206,008
Americas	209,195	206,773
APAC	33,064	23,493
	509,357	436,274
Specified according to products:		
Bracing and Supports	295,585	252,764
Prosthetics	212,388	182,578
Other products	1,384	932
	509,357	436,274

3. 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). The APAC segment was called Asia in prior Financial Statements.

2014	AMERICAS	EMEA	APAC	ELIMINATIONS	CONSOLIDATED
SALES					
External sales	209,195	267,098	33,064	0	509,357
Inter-segment sales	48,752	174,579	1,555	(224,886)	0
Total sales	257,947	441,677	34,619	(224,886)	509,357
RESULTS					
Segment result	27,535	50,865	7,539	0	85,939
Financial income/(expenses)					(8,112)
Share in net profit of associated companies					0
EBT					77,827
Income tax					(18,369)
Net profit					59,458
BALANCE SHEET 31.12.2014					
Segment assets	523,178	510,435	40,910	(396,740)	677,783
Segment liabilities	232,893	424,218	25,403	(446,855)	235,659
OTHER INFORMATION 2014					
Capital additions	6,161	10,456	153	0	16,770
Depreciation and amortization	6,227	11,896	257	0	18,398

Sales of approximately USD 23 million (2013: USD 21 million) arose from sales to the Company's largest customer.

All amounts in thousands of USD

2013	AMERICAS	EMEA	APAC	ELIMINATIONS	CONSOLIDATED
SALES					
External sales	206,773	206,008	23,493	0	436,274
Inter-segment sales	45,693	146,909	0	(192,602)	0
Total sales	252,466	352,917	23,493	(192,602)	436,274
RESULTS					
Segment result	18,275	37,079	4,853	0	60,207
Financial income/(expenses)					(3,721)
Share in net profit of associated companies					(1,197)
EBT					55,298
Income tax					(14,335)
Net profit					40,954
BALANCE SHEET 31.12.2013					
Segment assets	497,729	530,303	17,891	(339,675)	706,248
Segment liabilities	199,422	408,574	7,859	(357,644)	258,211
OTHER INFORMATION 2013					
Capital additions	9,402	7,655	355	0	17,052
Depreciation and amortization	5,481	9,427	358	0	15,266

4. SALARIES

	2014	2013
Salaries	150,297	132,669
Salary related expenses	30,224	29,023
	180,521	161,692

Included in salary-related expense are pension related expenses amounting to USD 7.2 million (2013: USD 5.8 million).

Full time employees (FTE) on average	2,214	1,765
Full time employees at period end	2,233	2,097

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

	2014	2013
Cost of goods sold	43,059	46,094
Sales and marketing	94,812	75,366
Research and development	11,171	11,472
General and administrative	31,479	28,760
	180,521	161,692

BOARD OF DIRECTORS

	SALARIES AND RELATED EXP,	STOCK OPTIONS	SHARES OWNED
Niels Jacobsen - Chairman of the Board (i)	93	0	187,279,233
Kristján Tómas Ragnarsson - Vice Chairman	52	0	623,789
Arne Boye Nielsen	37	0	0
Guðbjörg Edda Eggertsdóttir	37	0	26,318
Svafa Grönfeldt	37	0	0

(i) Shares owned by William Demant Invest A/S which Niels Jacobsen represents on the Board. Niels and financially related parties own personally 193,405 shares.

EXECUTIVE MANAGEMENT

	FIXED BASE SALARY	CASH BASED INCENTIVE	PENSION	OTHER BENEFITS	SHARE BASED INCENTIVE	TOTAL REMUNERATION
2014						
Jón Sigurðsson President and CEO(i)	899	533	0	153	153	1,739
Executive management (6 people) (ii)	1,820	513	145	40	266	2,784
	2,720	1,046	145	193	419	4,523
2013						
Jón Sigurðsson President and CEO(i)	897	375	0	153	153	1,578
Executive management (9 people) (ii)	2,156	311	181	132	269	3,049
	3,053	686	181	285	422	4,627

(i) Shares owned by Jón Sigurðsson 458.834 (2013: 381.168)
(ii) Shares owned by members of executive management 836.849 (2013: 836.849)

All amounts in thousands of USD

5. FINANCIAL INCOME / (EXPENSES)

	2014	2013
FINANCIAL INCOME		
Interests on bank deposits	91	77
Other financial income	116	140
	207	217
FINANCIAL EXPENSES		
Interests on loans	(3,393)	(3,979)
Other financial expenses	(575)	(640)
	(3,968)	(4,619)
Net exchange rate differences	(4,351)	681
Net financial income / (expenses)	(8,112)	(3,721)

6. INCOME TAX

	2014	2013
Current tax expenses	(16,365)	(9,370)
Deferred tax expenses	(2,004)	(4,965)
	(18,369)	(14,335)

	2014 AMOUNT	%	2013 AMOUNT	%
Profit before taxes	77,827		55,289	
Income tax calculated at 20%	(15,565)	20%	(11,058)	20%
Effect of different tax rates of other jurisdictions	(3,617)	5%	(2,823)	5%
Effect of non-deductible expenses / nontaxable income	(186)	0%	(289)	1%
Effect of change in tax rate	1,393	(2%)	0	0%
Other effects	(394)	1%	(165)	0%
	(18,369)	24%	(14,335)	26%

Deferred tax:

	2014	2013
Origination and reversal of temporary differences	(3,373)	(5,010)
Write-downs (reversals of previous write-downs) of deferred tax assets	(24)	0
Losses (recognized) and utilized	0	42
Effect of changes in tax rate	1,393	3
	(2,004)	(4,965)

Deferred tax balances:

2014	1.1.2014	RECOGNIZED IN INCOME STATEMENT	RECOGNIZED DIRECTLY IN EQUITY	ACQUISITIONS / DISPOSALS	EXC. RATE DIFFERENCE	RECLASSIFIED	31.12.2014
Goodwill	5,438	(2,714)			94		2,818
Intangible assets	(5,952)	(65)		(505)	755		(5,767)
Operating fixed assets	(2,421)	(610)			28		(3,003)
Tax loss carry forward	2,789	1,697			(11)		4,475
Inventories	1,772	16		(12)	(22)		1,754
Provisions	204	(134)		73	(12)		131
Current liabilities	253	(997)		29	177		(538)
Receivables	(728)	61		(1)	0		(668)
Other	(313)	742	118		(46)		501
Total	1,042	(2,004)	118	(416)	963	0	(297)

2013	1.1.2013	RECOGNIZED IN INCOME STATEMENT	RECOGNIZED DIRECTLY IN EQUITY	ACQUISITIONS / DISPOSALS	EXC. RATE DIFFERENCE	RECLASSIFIED	31.12.2013
Goodwill	10,268	(4,819)			(11)		5,438
Intangible assets	(4,687)	704		(1,978)	(216)	225	(5,952)
Operating fixed assets	(889)	(1,347)		44	(4)	(225)	(2,421)
Tax loss carry forward	688	1,816		283	2		2,789
Inventories	1,743	(94)		124	(1)		1,772
Provisions	(598)	811		(1)	(8)		204
Current liabilities	2,123	(882)		(982)	(6)		253
Receivables	(744)	14			2		(728)
Other	974	(1,168)	(82)	(51)	14		(313)
Total	8,878	(4,965)	(82)	(2,561)	(228)	0	1,042

All amounts in thousands of USD

7. EARNINGS PER SHARE

	2014	2013
Net profit	59,458	40,954
Total weighted average number of ordinary shares (in thousands)	450,318	449,638
Total average number of shares including potential shares from options (in thousands)	452,711	449,850
Basic earnings per share (US cent)	13.2	9.1
Diluted earnings per share (US cent)	13.1	9.1
Cash earnings per share	17.3	12.5
Diluted cash earnings per share	17.2	12.5

8. ADDITIONAL INFORMATION REGARDING CASH FLOW

	2014	2013
Net profit	59,458	40,954
Items not affecting cash	20,151	22,393
Working capital provided by operating activities	79,609	63,347
(Increase) / decrease in inventories	(1,110)	317
(Increase) / decrease in receivables	(5,157)	(7,590)
Increase / (decrease) in payables	11,791	10,080
Net cash provided by operating activities	85,133	66,154

9. PROPERTY, PLANT AND EQUIPMENT

2014	BUILDINGS & SITES	MACHINERY & EQUIPMENT	FIXTURES & OFFICE EQUIP.	TOTAL
COST				
At 1 January	15,184	58,023	33,300	106,507
Additions	151	9,396	2,460	12,007
Acquired on acquisition of subsidiary	0	542	281	823
Exchange rate differences	(2,122)	(1,628)	(1,653)	(5,403)
Eliminated on disposal	(68)	(472)	(82)	(622)
Fully depreciated assets	0	(4,433)	(3,449)	(7,882)
At 31 December	13,145	61,428	30,858	105,431
DEPRECIATION				
At 1 January	9,452	38,457	18,238	66,147
Charge for the period	423	6,768	3,505	10,696
Acquired on acquisition of subsidiary	0	317	115	432
Exchange rate differences	(1,398)	(1,494)	(454)	(3,345)
Eliminated on disposal	(68)	(371)	(73)	(512)
Fully depreciated assets	0	(4,433)	(3,449)	(7,882)
At 31 December	8,409	39,245	17,883	65,536
At 31 December 2014	4,736	22,184	12,976	39,895

2013	BUILDINGS & SITES	MACHINERY & EQUIPMENT	FIXTURES & OFFICE EQUIP.	TOTAL
COST				
At 1 January	14,155	42,464	26,959	83,578
Additions	544	6,913	5,128	12,585
Acquired on acquisition of subsidiary	429	10,634	4,011	15,074
Exchange rate differences	657	721	263	1,641
Eliminated on disposal	(601)	(287)	(1,971)	(2,859)
Fully depreciated assets	0	(2,422)	(1,090)	(3,512)
At 31 December	15,184	58,023	33,300	106,507
DEPRECIATION				
At 1 January	8,734	25,047	14,308	48,089
Charge for the period	403	5,707	3,451	9,561
Acquired on acquisition of subsidiary	316	9,736	3,335	13,387
Exchange rate differences	470	581	202	1,253
Eliminated on disposal	(471)	(192)	(1,968)	(2,631)
Fully depreciated assets	0	(2,422)	(1,090)	(3,512)
At 31 December	9,452	38,457	18,238	66,147
At 31 December 2013	5,732	19,566	15,062	40,360

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

	2014	2013
Cost of goods sold	5,897	4,811
Sales and marketing expenses	1,473	1,131
Research and development expenses	421	473
General and administrative expenses	2,905	3,146
	10,696	9,561

ASSETS PLEDGED AS SECURITY

None of the Company' properties, plants and equipments are pledged.
Major divestments are subject to bank approval.

All amounts in thousands of USD

10. GOODWILL

	31.12.2014	31.12.2013
At 1 January	396,601	348,935
Arising on acquisition of subsidiaries	15,941	43,473
Exchange rate differences	(24,442)	4,193
At 31 December	388,100	396,601

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.

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

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

	WACC %	31.12.2014	31.12.2013
Americas	7.9 / 8.7	223,790	225,717
EMEA	7.4 / 8.9	146,857	167,976
APAC	8.3 / 9.1	17,453	2,907
		388,100	396,601

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 2015 approved by management and the Board of Directors. The discount rate of 7.4 - 8.3% (2013: 8.7 - 9.1%) per annum was used.

Cash flow projections in the forecast are based on the same expected gross margins and raw materials prices throughout the period. Cash flows beyond 2019 have been extrapolated using a steady 3% per annum growth rate for all segments. This growth rate does not exceed the long-term average growth rate for the market in each market area. Management believes that any reasonably further change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

At balance sheet date an intangible asset with indefinite useful life is allocated to the EMEA cash-generating unit amounting to USD 14.0 million (2013: USD 15.4 million). Initial accounting for the newly acquired companies has been provisionally accounted for at year end. Adjustment to provisional amounts in the measurement period could lead to a reclass from goodwill.

11. OTHER INTANGIBLE ASSETS

2014	CUST./DISTRIB. RELATIONSHIPS	PATENTS	TRADEMARKS	SOFTWARE AND OTHER	TOTAL
COST					
At 1 January	36,408	4,287	16,640	24,315	81,650
Additions	0	172	0	2,295	2,467
Additions - internally generated	0	0	0	2,296	2,296
Acquired on acquisition of subsidiary	391	0	0	0	391
Fully depreciated assets	0	(538)	0	(1,016)	(1,554)
Exchange rate differences	(3,886)	(179)	(2,002)	(400)	(6,467)
At 31 December	32,913	3,742	14,638	27,490	78,783
AMORTIZATION					
At 1 January	18,481	2,190	767	12,341	33,779
Charge for the period	4,265	130	0	3,307	7,702
Fully depreciated assets	0	(538)	0	(1,016)	(1,554)
Exchange rate differences	(1,904)	(139)	(171)	31	(2,183)
At 31 December	20,842	1,643	596	14,663	37,744
At 31 December 2014	12,071	2,099	14,042	12,827	41,039

All amounts in thousands of USD

2013	CUST./DISTRIB. RELATIONSHIPS	PATENTS	TRADEMARKS	SOFTWARE AND OTHER	TOTAL
COST					
At 1 January	24,065	4,806	15,826	17,951	62,648
Additions	0	165	105	2,333	2,603
Additions - internally generated	0	0	0	1,864	1,864
Acquired on acquisition of subsidiary	11,255	0	0	1,764	13,019
Purchase price allocation	237	1,372	0	699	2,308
Fully depreciated assets	0	(2,133)	0	(354)	(2,487)
Exchange rate differences	851	77	709	58	1,695
At 31 December	36,408	4,287	16,640	24,315	81,650
AMORTIZATION					
At 1 January	15,011	4,140	708	9,653	29,512
Charge for the period	2,934	157	8	2,606	5,705
Acquired on acquisition of subsidiary	0	0	0	421	421
Fully depreciated assets	0	(2,133)	0	(354)	(2,487)
Exchange rate differences	536	26	51	15	628
At 31 December	18,481	2,190	767	12,341	33,779
At 31 December 2013	17,927	2,097	15,873	11,974	47,871

The Gibaud trademarks amounting to USD 14.0 million (2013: USD 15.4 million) are estimated to have infinitive life. The trademark has been well established within the French market since the foundation of the company in 1890.

	2014	2013
AMORTIZATION CLASSIFIED BY OPERATIONAL CATEGORY:		
Cost of goods sold	775	554
Sales and marketing expenses	5,080	3,555
Research and development expenses	104	214
General and administrative expenses	1,743	1,382
	7,702	5,705

12. THE CONSOLIDATION

The main operation is carried out in the following companies:

NAME OF COMPANY	PLACE OF REGISTRATION AND OPERATION	OWNERSHIP %	PRINCIPAL ACTIVITY
Össur Iceland ehf	Iceland	100%	Manufacturer and sales
Össur Americas, Inc.	USA	100%	Sales, R&D, distribution and services
Össur Canada, Inc.	Canada	100%	Sales, distribution and services
Össur Mexico S. de R.L. de C.V.	Mexico	100%	Manufacturer
Össur Europe BV	Netherlands	100%	Sales, distribution and services
Gibaud SAS	France	100%	Manufacturer, sales, R&D, distribution and services
Össur Nordic AB	Sweden	100%	Sales, distribution and services
Össur UK Ltd	UK	100%	Sales, distribution and services
Össur Deutschland GmbH	Germany	100%	Sales, distribution and services
Össur Iberia SA	Spain	100%	Sales, distribution and services
Össur South Africa (Pty) Ltd	South Africa	100%	Sales, distribution and services
TeamOlmed AB	Sweden	100%	Sales, distribution and services
Össur Asia Pacific PTY, Ltd.	Australia	100%	Sales, distribution and services
Össur Prosth. & Rehabilit. Co, Ltd.	China	100%	Sales, distribution and services
Össur Hong Kong, Ltd	Hong Kong	100%	Sales, distribution and services

The Consolidation is financed through two companies, Össur Americas LP and Össur Finance AG.

All amounts in thousands of USD

13. OTHER FINANCIAL ASSETS

	31.12.2014	31.12.2013
Investment in associates	7,485	2,493
Restricted cash	1,263	1,617
Loans and receivables	1,259	1,376
	10,007	5,486

INVESTMENTS IN ASSOCIATES

	2014	2013
At 1 January	2,493	4,145
Additions	5,000	0
Share in net profit / (loss)	0	(1,196)
Sold associates	0	(456)
Exchange rate differences	(8)	0
At end of period	7,485	2,493

14. INVENTORIES

	31.12.2014	31.12.2013
Raw material	14,808	14,787
Work in progress	6,302	5,347
Finished goods	43,114	46,691
	64,224	66,825

Inventories of USD 3.5 million (2013: USD 3.3 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 10.5 million (2013: USD 10.1 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of USD 3.2 million (2013: USD 3.2 million) is made in the Consolidated Financial Statements to reduce income tax expense to account for this.

The cost of inventories recognized as an expense includes USD 2.2 million (2013: USD 1.6 million) in respect of write-downs of inventory to net realizable value. Reserve for obsolete inventories at year end is USD 5.2 million compared to USD 4.5 million in 2013.

15. ACCOUNTS RECEIVABLES

	31.12.2014	31.12.2013
Nominal value	72,093	74,113
Allowances for doubtful accounts	(1,665)	(1,934)
Allowances for sales return	(954)	(940)
	69,474	71,239

The average credit period on sales of goods is 42 days (2013: 44 days). Allowance has been made for doubtful accounts and sales returns, this allowance has been determined by management in reference to past default experience. Management considers that the carrying amount of receivables approximates their fair value.

AGING OF ACCOUNTS RECEIVABLES

	31.12.2014	31.12.2013
Less than three months	61,535	66,827
Three to six months	6,417	4,223
Six to nine months	1,887	663
Older than nine months	2,254	2,400
	72,093	74,113

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

	2014	2013
At 1 January	(1,934)	(1,886)
Impairment (losses)/gains	(94)	(1,031)
Amounts written off as uncollectible	257	1,021
Exchange rate difference	106	(38)
At 31 December	(1,665)	(1,934)

In determining the recoverability of accounts receivable, the Company considers any change in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believe that there is no further credit provision required in excess of the allowance for doubtful debts. Within accounts receivables are 7.2 million (2013: 6.8 million) with more than 30 days past due of which 5.6 million (2013: 4.9 million) is considered recoverable.

16. OTHER ASSETS

	31.12.2014	31.12.2013
VAT refundable	3,607	3,603
Prepaid expenses	8,533	7,799
Taxes receivable	45	427
Other	3,337	2,109
	15,522	13,938

17. BANK BALANCES AND CASH

	31.12.2014	31.12.2013
Bank accounts	24,897	38,853
Bankers draft received	3,516	2,856
Cash and other cash equivalents	71	60
	28,484	41,769

18. ISSUED CAPITAL

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

	SHARES	NOMINAL VALUE
Balance at 1 January 2013	453,750	5,068
Purchased treasury shares	(2,243)	(20)
Balance at 31 December 2013	451,507	5,048
Purchased treasury shares	(9,864)	(80)
Balance at 31 December 2014	441,643	4,968

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 1 January 2013	5,024	188,767	193,791
Movement in treasury shares	24	4,550	4,574
Balance at 31 December 2013	5,048	193,317	198,365
Movement in treasury shares	(80)	(29,087)	(29,167)
Balance at 31 December 2014	4,968	164,230	169,198

19. SHARE OPTION CONTRACTS AND OBLIGATIONS TO INCREASE SHARE CAPITAL

EMPLOYEE SHARE OPTION PLAN

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. The exercise price of each share option is determined by the average closing price on shares traded in 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 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 31.7% to 33.7% and the annual discount rate range from 0.3% to 0.6%. The options expire one month 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.

SHARE OPTIONS 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	1,250,000	2012	2015	8.6	8.8
Members of executive management (4 persons)	1,600,000	2012	2015	8.6 / 8.7	8.8
Members of executive management (2 persons)	700,000	2013	2016	7.8 / 7.9	7.4 / 7.9
	3,550,000				
Issued to Management team:					
Eighteen managers	1,800,000	2012	2015	8.7	8.8
Six managers	600,000	2013	2016	7.7 - 7.9	7.4 - 7.9
	2,400,000				
Total issued option contracts	5,950,000				

MOVEMENTS IN SHARE OPTIONS DURING THE PERIOD

	2014		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	7.6
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	5,950,000	8.4	6,350,000	8,3

SHARE OPTIONS EXERCISED DURING THE PERIOD

	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (IN DKK)
Issued to Executive Management	200.000	5.2.2014	11.3
Issued to Management team	100.000	5.2.2014	11.3
Issued to Management team	100.000	1.4.2014	12.3
Total exercised during the year	400.000		

Estimated remaining cost due to the share option contracts is 0.3 million (2013: 1.1 million). An expense of 0.7 million (2013: 0.5 million) is recognized in the Income Statement for the period.

20. BORROWINGS

	31.12.2014		31.12.2013	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Loans in USD	101	23,810	12,881	35,677
Loans in EUR	0	24,036	6,594	12,522
Revolver in USD	0	34,450	0	8,500
Revolver in EUR	0	38,719	0	71,926
Other borrowings	0	703	523	931
	101	121,718	19,998	129,556

The maturity of the revolving credit facility is Q2 2019. 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:

	31.12.2014	31.12.2013
In 2015 / 2014	101	19,998
In 2016 / 2015	794	20,338
In 2017 / 2016	23,877	109,218
In 2018 / 2017	23,877	0
In 2019 / 2018	73,170	0
	121,819	149,554

In Q2 2014 Össur extended the Company's long term financing agreement by three years, now maturing in Q2 2019. Össur's banking partners continue to be ING, Nordea and SEB. The total facility is USD 195m and is secured with shares in Össur's larger subsidiaries. The facility contains covenants that place various financial and operational restrictions on the company. The covenants are in line with market standard for investment grade rated companies. Current average interest terms are 100 bps + LIBOR/EURIBOR, changing in line with financial leverage.

All amounts in thousands of USD

21. DEFINED EMPLOYEE BENEFITS

With an acquisition at end of 2013, the Group acquired a defined benefit retirement plan. At year end 2013 the net defined benefit asset was included within other financial assets.

DEFINED BENEFIT ASSET/ LIABILITY

	31.12.2014	31.12.2013
Fair value of plan assets	3,300	3,763
Present value of obligation	(3,583)	(3,542)
Net liability /asset arising from defined benefit obligation	(283)	221

	31.12.2014	31.12.2013
PLAN ASSETS		
Equity securities	327	286
Property occupied by the Group	495	625
Held to maturity bonds	1,175	1,501
Bonds	1,234	1,264
Others	69	87
	3,300	3,763

MOVEMENTS ON THE DEFINED BENEFIT ASSET / LIABILITY

	ASSETS	LIABILITIES
Beginning of period	3,763	(3,542)
Contributions paid into the plan	268	0
Benefits paid	(100)	108
Service cost	0	(308)
Expected return on plan assets	149	0
Actuarial gains / losses (through equity)	(37)	(487)
Exchange rate differences	(717)	665
Other	(26)	(19)
At 31 December 2014	3,300	(3,583)

EXPENSE RECOGNIZED IN PROFIT AND LOSS

	2014
Service costs	170
Interests on obligation	138
Expected return on plan assets	(149)
Other	85
	244
Expense classified by operational category:	
Cost of goods sold	56
Sales and marketing expense	173
R&D expenses	0
General and administrative expenses	15
	244

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN EQUITY

	2014	2013
Amount accumulated at beginning of period	0	0
Recognized during year (net of taxes)	(383)	0
At end of period	(383)	0

PRINCIPAL ASSUMPTIONS USED FOR ACTUARIAL VALUATIONS

	31.12.2014	31.12.2013
Discount rates	3.0%	4.1%
Expected rate of salary increase	3.3%	3.8%
Expected return on plan assets at beginning of year	3.0%	4.1%
Future salary increases	3.3%	3.8%
Medical cost trend rate	3.0%	3.5%
Future pension increases	0.1%	0.6%

22. OTHER FINANCIAL LIABILITIES

At balance sheet date, two interest rate swap agreements are effective, with a negative value of USD 0.5 million (2013: negative USD 1.2 million).

23. DEFERRED TAX ASSET / (LIABILITY)

	31.12.2014	31.12.2013
At beginning of period	1,042	8,878
Income tax payable for the period	16,365	9,370
Calculated tax for the period	(18,369)	(14,335)
Arising on acquisition of a subsidiary	(416)	(2,561)
Recognized directly through equity	118	(82)
Exchange rate differences	963	(228)
At en of period	(297)	1,042
Deferred tax in the balance sheet:		
Deferred tax asset	21,038	22,159
Deferred tax liabilities	(21,335)	(21,117)
	(297)	1,042

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

31.12.2014	ASSETS	LIABILITIES	NET
Goodwill	17,869	(15,051)	2,818
Intangible assets	1,018	(6,785)	(5,767)
Operating fixed assets	0	(3,003)	(3,003)
Tax loss carry forward	4,475	(0)	4,475
Inventories	1,780	(26)	1,754
Provisions	531	(400)	131
Current liabilities	3,865	(4,403)	(538)
Receivables	0	(668)	(668)
Other	1,000	(499)	501
Total tax assets / (liabilities)	30,538	(30,835)	(297)
Tax asset and liabilities offsetting	(9,500)	9,500	0
	21,038	(21,335)	(297)

31.12.2013	ASSETS	LIABILITIES	NET
Goodwill	19,334	(13,896)	5,438
Intangible assets	1,024	(6,976)	(5,952)
Operating fixed assets	102	(2,523)	(2,421)
Tax loss carry forward	2,789	0	2,789
Inventories	1,772	0	1,772
Provisions	546	(342)	204
Current liabilities	4,096	(3,843)	253
Receivables	2	(730)	(728)
Other	637	(950)	(313)
Total tax assets / (liabilities)	30,302	(29,260)	1,042
Tax asset and liabilities offsetting	(8,143)	8,143	0
	22,159	(21,117)	1,042

24. PROVISIONS

	31.12.2014		31.12.2013	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Warranty [(i)]	2,039	5,056	2,511	4,503
Other	1,731	1,573	1,980	248
	3,770	6,629	4,491	4,751

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

All amounts in thousands of USD

	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	2,414	1,966	4,380
Utilization of provision	(2,333)	(693)	(3,026)
Exchange rate differences	0	(197)	(197)
Balance at 31 December 2014	7,095	3,304	10,399
Non-current	5,056	1,573	6,629
Current	2,039	1,731	3,770
Balance at 31 December 2014	7,095	3,304	10,399

25. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The Company had no material transactions with related parties during the period.

26. OTHER LIABILITIES

	31.12.2014	31.12.2013
Accrued expenses	10,437	11,101
Accrued royalties	973	967
Sales tax and VAT	3,479	6,120
Payable due to previous acquisition	2,324	2,324
Other	5,883	3,159
	23,096	23,671

27. FINANCIAL INSTRUMENTS

27.1 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2013.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 20, 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 RATIO

The Company's management continuously reviews the capital structure. As a part of this review, the management considers, amongst other, the cost of capital and net debt to EBITDA.

The net debt to EBITDA at period end was as follows:

	31.12.2014	31.12.2013
Net debt	93,335	107,785
EBITDA	104,337	75,473
Net debt/EBITDA	0.9	1.4

27.2 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 32 to the Consolidated Financial Statements.

27.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's Corporate Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company 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 and prohibit any speculative trading of financial instruments. 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.

27.4 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.

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

	LIABILITIES		ASSETS	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
EUR	86,338	112,123	37,508	46,973
USD	81,239	81,642	45,178	44,891
SEK	12,797	12,971	14,223	13,659
GBP	1,760	2,011	4,412	5,568
Other	21,791	19,106	22,166	21,341
	203,925	227,852	123,487	132,432

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)	
	2014	2013	2014	2013
Profit or loss	3,748	2,524	(2,981)	(2,486)
Other equity	8,839	9,487	(975)	(256)

(i) 21% (2013: 24%) of the Company's COGS and OPEX is in EUR against 28% (2013: 28%) of its sales causing an increase in profit if the USD decreases against the EUR.

(ii) 10% (2013: 9%) of the Company's COGS and OPEX is in ISK against 0.6% (2013: 0.4%) of its sales causing a decrease in profits if the USD decreases against the ISK.

SALES AND EXPENSES SPLIT BY MAIN CURRENCIES:

	SALES		COGS AND OPEX	
	2014	2013	2014	2013
USD	41%	49%	42%	50%
EUR	28%	28%	21%	24%
ISK	1%	0%	10%	9%
Other	30%	23%	27%	17%
	100%	100%	100%	100%

27.5 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 Corporate Finance function by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied.

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

Contracts made to swap floating interest rates to fixed with an average weighted interest rate of 2.5% for periods up to March 2016 are outstanding at year end with nominal values of USD 26 million (2013: USD 40 million). At year end the fair value of the swaps amounted to negative USD 0.5 million (2013: negative USD 1.2 million). The fair value of the interest rate swaps at the reporting date is determined by the present value of the expected future cash flows. Changes in fair value are realized through equity. The interest swaps are the Company's sole derivative financial liability valued at fair value and belong to level 2 in the fair value hierarchy in accordance to IFRS's 7.27A.

27.6 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. At period end the Company had undrawn revolving credit facilities at its disposal amounting to USD 72.2 million (2013: USD 32.5 million) to further reduce liquidity risk.

All amounts in thousands of USD

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
2014					
Borrowings	2.6%	3,926	131,344	0	135,270
Non-interest bearing liabilities	-	82,392	20,916	0	103,308
		86,318	152,260	0	238,577
2013					
Borrowings	3.3%	25,471	136,965	0	162,436
Non-interest bearing liabilities	-	76,941	19,878	0	96,819
		102,412	156,843	0	259,255

27.7 CREDIT RISK MANAGEMENT

The Company's counterparty credit risks arise mainly from short-term investment of liquid assets and the mark-to-market effect of interest rate swaps.

The Company reviews the credit quality of counterparties. The Company's policy is that all counterparties have at least an A3 credit rating from Moody's or A minus from Standard & Poor's. The Company has one exception where deposits are at a local bank rated BB+ from Standard & Poor‘s.

The Company does not undertake any 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.

27.8 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.

	31.12.2014		31.12.2013	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial liabilities:				
Borrowings	121,819	123,821	149,554	150,753

The fair values of financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

28. ACQUISITIONS

In 2014 the Company finalized two minor acquisitions in Australia. The Company also acquired the remaining interest in three of it's entities, where the Company previously held majority share. Total acquisition price is USD 18.8 million.

Included in the sales for the year are USD 10 million attributable to the two acquisitions and the EBITDA for the year includes USD 2 million in respect of the two acquisitions. Had both acquisitions been effected at 1 January 2014, the Consolidated revenue from continuing operations would have been USD 14 million, and the EBITDA from continuing operations would have been USD 3 million. Management consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

29. OPERATING LEASE ARRANGEMENTS

Payments recognized as an expense:

	2014	2013
Minimum lease payments	15,301	14,286

NON-CANCELLABLE OPERATING LEASE COMMITMENTS	31.12.2014	31.12.2013
No longer than 1 year	15,435	15,908
Longer than 1 year and no longer than 5 years	28,162	33,668
Longer than 5 years	1,053	2,510
	44,650	52,086

Operating lease payments represent rentals payable by the Company for certain of its office properties and cars. More than hundred rental agreements are in place in multiple countries. The leases expire in the periods 2015-2028.

30. INSURANCE

	31.12.2014		31.12.2013	
	INSURANCE VALUE	BOOK VALUE	INSURANCE VALUE	BOOK VALUE
Fixed assets and inventories	197,323	109,004	210,000	112,070

The Company has purchased a business interruption insurance intended to compensate for temporary breakdown of operations. The insurance amount is USD 344 million (2013: USD 334 million). In addition the Company has a product and professional liability insurance with a USD 30 million limit and a product recall insurance with a USD 2 million limit. The deductible amount on the product and professional liability and product recall insurances is USD 50 thousand.

All amounts in thousands of USD

31. ADOPTION OF NEW AND REVISED STANDARDS

31.1 STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT AND PRIOR PERIODS

The Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the year 2014. Management believes that those new and revised IFRS standards do not have material effect on amounts reported in the Consolidated Financial Statements.

31.2 STANDARDS NOT YET EFFECTIVE

The Company has not early adopted new and revised IFRS's that have been issued but are not yet effective. Management believes that implementation of those standards and interpretations do not have a material effect on the Consolidated Financial Statements of the Company.

32. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

32.1 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

32.2 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 Group takes into account the characteristics of the asset or liability if 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, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

32.3 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
- has the ability to use its power to affect its returns.

The Company reassesses whether or not 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 or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

CHANGES IN THE COMPANY'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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.

32.4 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 generally 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.

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 IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

When a business combination is achieved in stages, the Company's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

32.5 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 in excess of 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 39 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.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Company retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a group entity transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

32.6 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 the purpose of 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 32.5 above.

32.7 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

Revenue from the sale of goods is recognized when all the following conditions are satisfied; the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

32.8 LEASING

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

32.9 FOREIGN CURRENCIES

For the purpose of presenting Consolidated Financial Statements, 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, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. 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.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Company losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items and exchange difference on hedge on net investments in foreign operations. Exchange differences on hedge on net investments in foreign operations are recognized in the Income Statement in the period which the foreign operations are disposed of.

32.10 BORROWING COSTS

All borrowing cost are recognized in profit or loss in the period in which they incurred.

32.11 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 19.

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.

32.12 TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

DEFERRED TAX

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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 has an effect on 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.

32.13 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.

In the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Income Statement.

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

Buildings	20 - 50 years
Fixtures and furniture	2 -10 years
Machinery and equipment	2 - 10 years

32.14 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.

Part of the intangible assets included above have finite useful lives, over which the assets are amortized. These intangible assets will be 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 - RESEARCH AND DEVELOPMENT EXPENDITURE

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 no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to 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.

Subsequent to 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.

32.15 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 in order to determine the extent of the impairment loss (if any). 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, corporate 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.

32.16 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 particular 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.

32.17 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, taking into account 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

Provisions for expected warranty costs 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.

32.18 RISK MANAGEMENT

Financial risk management is governed by the Company's Treasury Manual, approved by the Board of Directors. The policy sets limits to the extent of financial risks and guidelines for financial transactions in general. The general policy is to apply natural currency hedging to the extent possible and prohibit any speculative trading of financial instruments.

Long term financing is managed from the Company's Corporate Finance function and individual subsidiaries do not engage in substantial external financing contracts with banks and/or credit institutions.

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

32.19 FINANCIAL ASSETS

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets as ‘at fair value through profit or loss’ (FVTPL) and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

LOANS AND RECEIVABLES

Account receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as account receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the Company's average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account 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 and the cumulative gain or loss that had been recognized in Other Comprehensive Income and accumulated in equity is recognized in profit or loss. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

32.20 FINANCIAL LIABILITIES

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified as either financial liabilities at 'fair value through profit and loss' or 'other financial liabilities'.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities are classified at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Income Statement.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

DERECOGNITION OF FINANCIAL LIABILITIES

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

32.21 DEFINED EMPLOYEE BENEFITS

Retirement benefit costs and termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognized in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.
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.

32.22 DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 27.

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 and interest rate 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 highly effective in offsetting changes in fair values or cash flows of the hedged item.

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.

Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the equity overview.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

Gains and losses deferred in the foreign currency translation reserve are recognized in profit or loss on disposal of the foreign operation.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives, that are designated and qualify as cash flow hedges, is recognized in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other financial expense / income' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires, is sold, terminated, exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the income statement.

33.CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 32, management is required to make judgments, 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and 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 10.

As described at 32.15, the Company reviews the estimated useful lives of property, plant and equipment at the end of each balance sheet date.

Forward-Looking Statements

This annual report contains projections and other forward-looking statements regarding future events and/or the future financial performance of Össur hf. You can identify forward-looking statements by terms, such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might” or the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions, and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, rapid technological and market change in our industries, as well as many other risks specifically related to Össur hf. and its operations.

The Össur Annual Report has been prepared in-house by Össur employees. All photos in the report are existing marketing material. The only external cost occurred is for proofreading and printing.

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