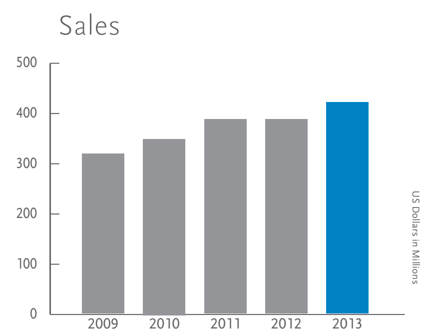
ÖSSUR®

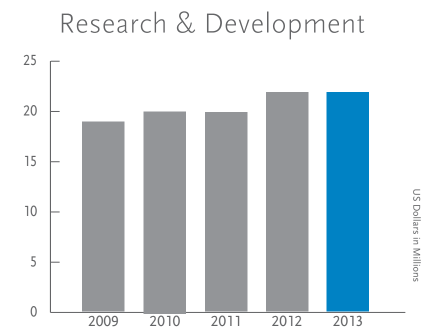
LIFE WITHOUT LIMITATIONS

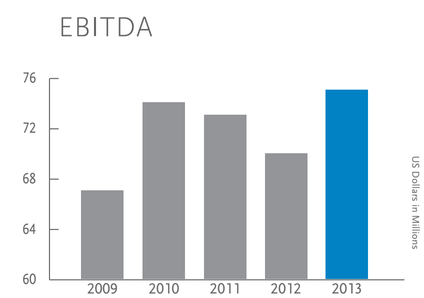


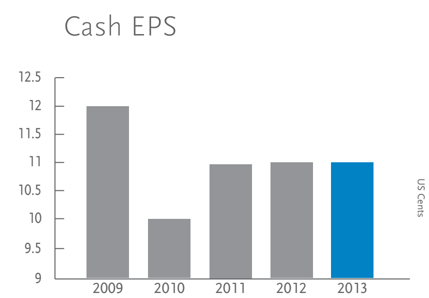

2013 ANNUAL REPORT

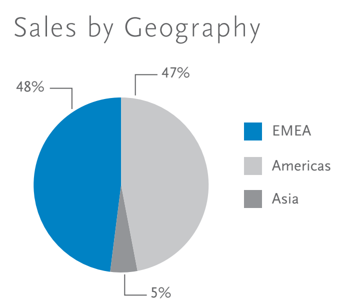
KEY FIGURES

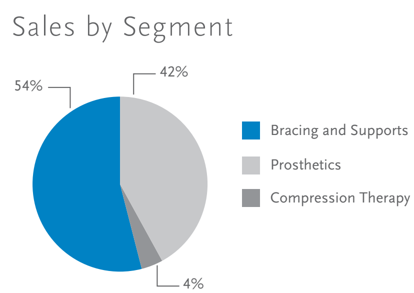

Sales
500
400
300
200
100
0
2009
2010
2011
2012
2013
US Dollars in Millions


Research & Development
25
20
15
10
5
0
2009
2010
2011
2012
2013
US Dollars in Millions


EBITDA
76
72
68
64
60
2009
2010
2011
2012
2013
US Dollars in Millions


Cash EPS
12.5
12
11.5
11
10.5
10
9.5
9
2009
2010
2011
2012
2013
US Cents


Sales by Geography
48%
47%
5%
EMEA
Americas
Asia


Sales by Segment
54%
42%
4%
Bracing and Supports
Prosthetics
Compression Therapy

FINANCIAL RATIOS
(USD MILLIONS)

		2013	2012	2011	2010	2009
INCOME STATEMENTS						
Net sales		436	399	398	359	331
Gross profit		270	248	246	223	202
Operating expenses (exl. Other income)		210	191	189	164	154
Profit from operations		60	57	59	60	48
Net profit		41	38	35	35	23
EBITDA		75	70	73	74	67
BALANCE SHEETS						
Total assets		706	591	580	607	628
Equity		448	408	365	344	312
Net interest-bearing debt (NIBD)		108	82	111	133	158
CASH FLOW						
Cash generated by operations		73	71	68	64	86
Cash provided by operating activities		66	58	48	40	69
Free cash flow		49	43	32	33	60
KEY FIGURES						
Sales growth USD	%	9	0	11	9	-5
Operating margin	%	14	14	15	17	15
EBITDA margin	%	17	18	18	21	20
Equity ratio	%	63	69	63	57	50
Ratio of net debt to EBITDA		1.4	1.2	1.5	1.8	2.4
Ratio of debt to EBITDA		2.0	1.5	1.8	2.5	3.5
Current ratio		1.9	1.9	1.7	1.9	2.3
Return on equity	%	10	10	10	10	8
MARKET						
Market value of equity		880	606	676	778	529
Number of shares		454	454	454	454	454
Price/earnings ratio, (P/E)		21.7	15.8	20.0	22.3	23.2
Diluted EPS	US Cent	9.1	8.41	7.66	7.77	5.30
Diluted Cash EPS	US Cent	12.5	11.35	10.58	10.87	9.66

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MOVING TOWARDS THE FUTURE

Jón Sigurðsson
Össur President and CEO

We are dedicated to improving people's mobility with our products and services. We will continue to focus on sustainable growth, successful innovations for our customers and increased efficiency. However, in everything we do, we do not forget the reason why Össur's employees come to work every day—to help our customers live a Life Without Limitations.

Sustainable Growth

In 2013 we strengthened our sales channels and operations through several strategic acquisitions in Brazil, Norway and Sweden. This is an important strategic step for us and we are excited to continue building a strong Company for the future. The sales growth in 2013 was 9% and sales totaled USD 436 million. The sales growth in EMEA continues in all market and key products. We are also experiencing gradual improvements in market conditions in the Americas.

Successful Innovation

We had significant product launches in 2013, including the Unity® Advanced Vacuum Suspension System, which was very well received. We also launched an updated version of our flagship ligament brace, CTi®. We continue to focus on our premium designs, always pushing for greater innovation and better outcomes. Moving forward, we will be dividing our bracing and supports range and creating a dual emphasis on OA Solutions and Injury Solutions. OA Solutions help people living with osteoarthritis achieve a more active lifestyle while Injury Solutions improve mobility and encourage healing. The identification of these two major segments within our bracing and supports product range will further support our customers' needs for indication-based innovation.

Increased Efficiency

We have identified operational excellence and process improvement as key avenues toward increased efficiency. In the second quarter of 2013, we streamlined operations resulting in a leaner cost structure, and a reduction in costs of USD 5 million in 2013 and USD 8 million on annual basis. Toward the end of the year, we saw that our initiatives were successfully increasing efficiency and strengthening the core of our business. The EBITDA grew 8% and was USD 75 million at the end of the year.

Life Without Limitations

The Boston Marathon bombings shocked us all. In the aftermath of the horrific events, we at Össur wondered what we could do to help the victims put their lives back on track. That's when we partnered with Challenged Athletes Foundation, a world leader in helping individuals with physical challenges get and stay involved with sports. Together, we co-hosted a running and mobility clinic at Harvard University in October, inviting survivors of the bombings to participate.

In addition to partnering with the Challenged Athletes Foundation, our Team Össur members reached their ambitious goals. Our sponsored athletes once again dominated the winners' podium at the IPC World Championships in July. In September, we supported double amputee Richard Whitehead as he ran the length of the UK, the equivalent of 40 marathons in 40 days. We were also very excited to be named an official provider to "Walking with the Wounded" on their 2013 expedition to the South Pole.

These achievements remind us how proud we are to be in this business. We are truly fortunate to work in an industry where we can increase people's mobility with our products and solutions, and therefore change millions of lives around the world. Our success is driven by a passion and commitment to make Life Without Limitations a reality.

Jón Sigurðsson
Össur President and CEO

Double amputee Richard Whitehead ran the length of the UK, the equivalent of 40 marathons in 40 days.

An updated version of our flagship CTi® ligament brace was launched.

Launch of the Unity® Advanced Vacuum Suspension System.

CORPORATE STRATEGY

Össur's vision is to be the leading company in non-invasive orthopaedics. Össur's business is focused on improving people's mobility through the delivery of innovative technologies within the fields of bracing and supports, prosthetics and compression therapy. Össur will continue to focus on successful innovations, sustainable growth, as well as efficiency, to generate value for all stakeholders. Össur is committed to maintaining the highest standards of ethical, environmental and social responsibility.

Main Focus Areas

Innovation

We embrace innovation in all our actions. We will be at the forefront of indication-based innovation to ensure our consistently strong position in the market.

Efficiency

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

Growth

We achieve growth by successfully commercializing our innovation through our localized go-to-market strategy and commitment to our customers' needs.

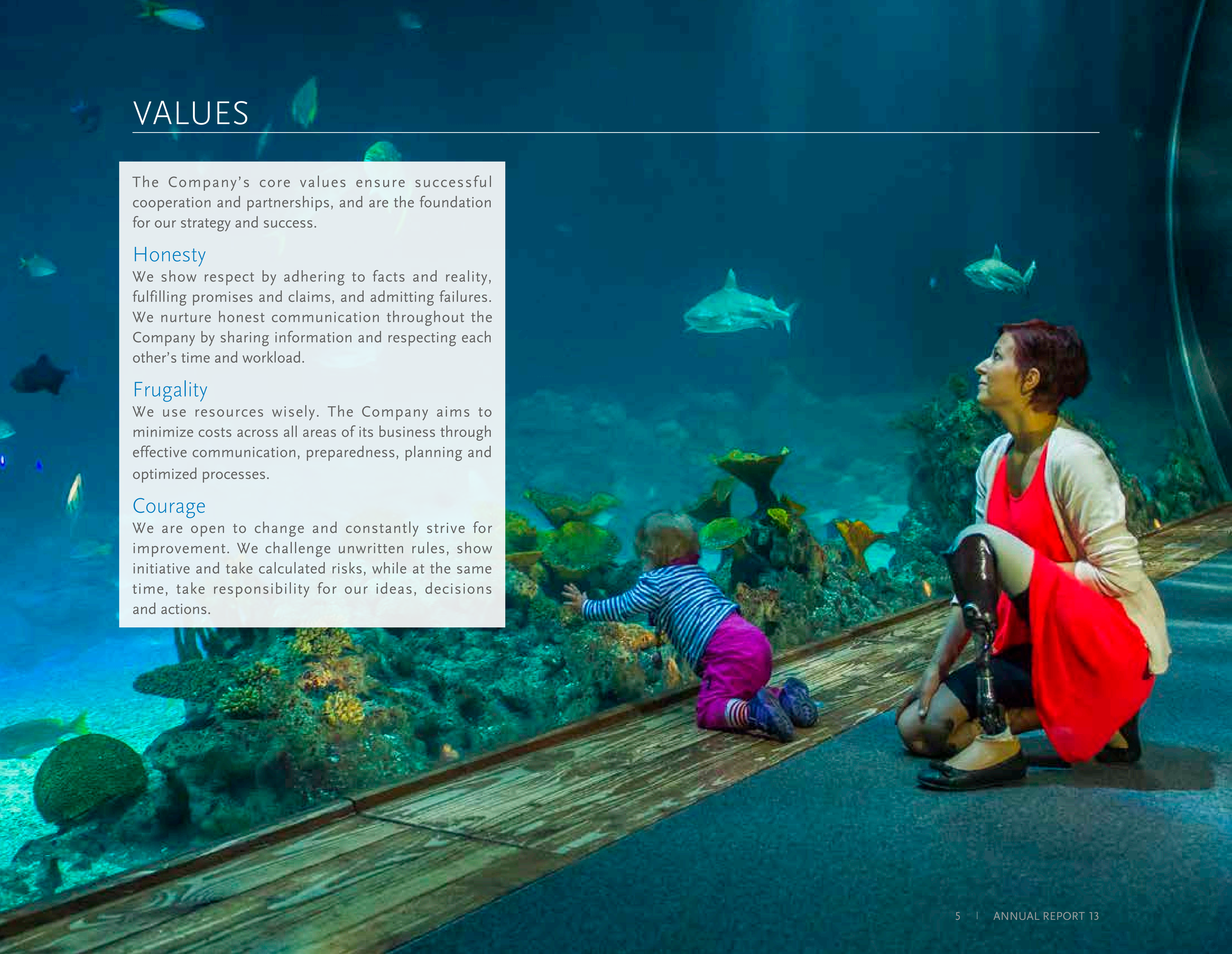
Vision

Leading Company in Non-Invasive Orthopaedics

Mission

We Improve People's Mobility

VALUES



The Company'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, take responsibility for our ideas, decisions and actions.

ABOUT ÖSSUR

Össur is a global leader in the non-invasive orthopaedics market. The Company focuses on improving people's mobility through the delivery of innovative technologies within the fields of prosthetics, bracing and supports and compression therapy.

The Company was founded in 1971 as a prosthetic clinic. Through innovation and acquisitions, Össur is now a leader within the fields of prosthetics and bracing and supports. Today, Össur maintains a strong position in key markets. The Company is in a good position to leverage on future growth opportunities.

Össur has been listed on the NASDAQ OMX since 1999 and in Copenhagen since 2009. Össur has operations in 18 countries and 2,100 employees.

Össur is headquartered in Reykjavik, Iceland. The Company's sales are well diversified by geography and segments.

Össur's Three 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.

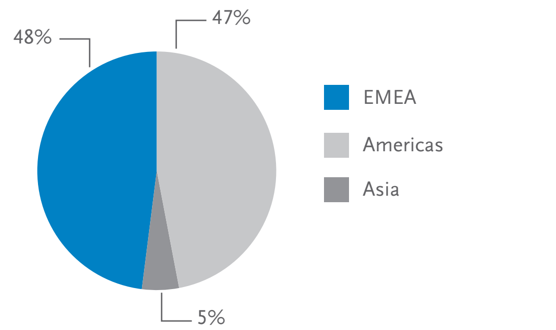
Prosthetics

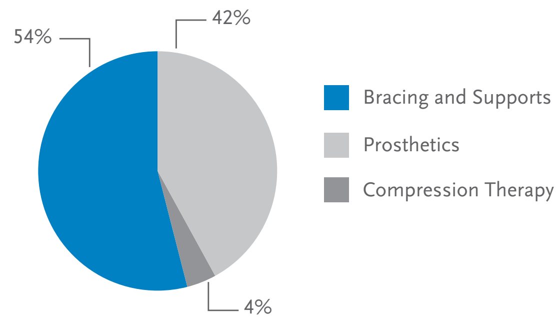
Prosthetic products include artificial limbs and related products for individuals who were born without limbs or have had limbs amputated.

Compression therapy

Compression therapy is a preferred treatment for venous ulcers and edema.

Sales in 2013 amounted to USD 436 million and were split as follows:





Company Milestones

1971
Össur was founded by Össur Kristinsson

1986
Received its very first patent for the silicone liner

1999
Listed on NASDAQ OMX in Iceland

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

We are ...

- A global orthopaedic company
- Growing through innovation
- Positioned for future growth

2004

RHEO KNEE®
The first Bionic product launched

2005/6

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

2009

Listed on NASDAQ OMX in Copenhagen

2012

SYMBIONIC® LEG
The world's first complete bionic leg

2013

Strengthening of sales channel through acquisitions

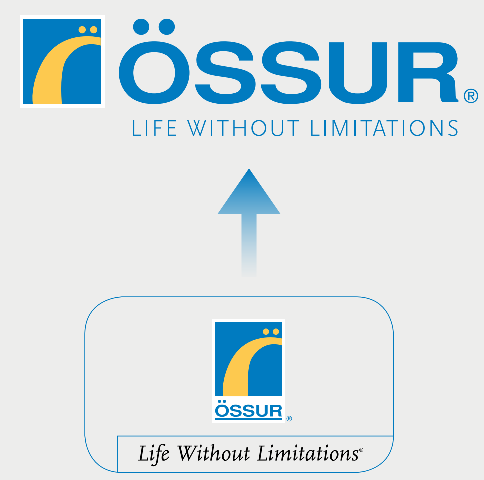
THE ÖSSUR BRAND

In 2013, the visual representation of the Össur brand received an updated look and feel. Based on the Company's strategy of providing indication based solutions to our customers, Össur conducted customer research among medical professionals, asking numerous questions about market trends as well as the Össur brand.

Össur is a very well known and respected brand within the prosthetic industry, but the research confirmed that within the Bracing & Supports market segment, there is less awareness for the Össur brand. In addition to the Össur brand itself needing more exposure, the research also indicated that the Company would benefit from decreasing the number of product brands in order to for each brand to have a bigger impact.

As a result of the strategic focus on indication based solutions, and the research outcome, the brand architecture under Bracing & Supports was updated, dividing it into two main categories of OA Solutions and Injury Solutions. In addition, five key product brands were identified, which will be focused on from a branding perspective. These key brands are Unloader®, CTi®, Rebound®, Miami® and Innovator®.

In order to facilitate more corporate brand awareness, the Össur logo has been reconfigured to give the Company name a larger, more noticeable presence. In addition, the Company's marketing material is being refreshed to a more modern look and feel, and a layout that visually communicates our focus product brands.



The Össur logo has been reconfigured to give the Company name a larger, more noticeable presence.

The brand architecture under Bracing & Supports was updated, dividing it into two main categories.

Bracing & Supports

OA Solutions

Solutions that relieve pain and improve mobility for people with cartilage degeneration. The Össur Unloader® brand name has become synonymous with osteoarthritis bracing.

Injury Solutions

Solutions that improve mobility and encourage the healing of conditions caused by injury to the musculoskeletal system. Össur Injury Solutions are globally recognized, primarily under the brand names CTi®, Rebound®, Miami® and Innovator®.

Five key product brands were identified, which will be focused on from a branding perspective. These key brands are Unloader®, CTi®, Rebound®, Miami® and Innovator®.

Unloader®

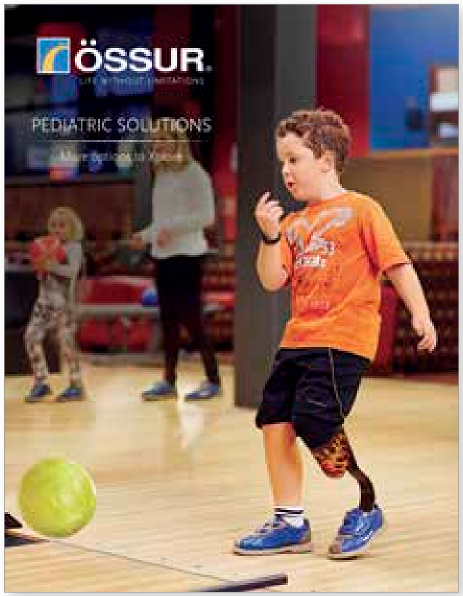
CTi®

Rebound®

Miami®

Innovator®

Samples of updated marketing material



PEOPLE

Our committed and inspiring employees contributed to a great year, embodying our core values of honesty, frugality and courage. From new innovations to added efficiencies and sales growth—our talented people led the way.

We welcomed many new team members in 2013, both through acquisitions and recruiting, who brought valuable new skills and capabilities into the organization. Our employees now number 2,100.

Developing Talent

We work to continuously develop the talent of our employees in order to maintain a supportive workplace where employees are encouraged to strengthen their unique capabilities. We have created a culture of open learning where employees are excited to build upon their knowledge and participate in both formal and informal growth opportunities. Through leadership development programs, skill building workshops and personal coaching, we meet the development needs and goals of our people and our teams.

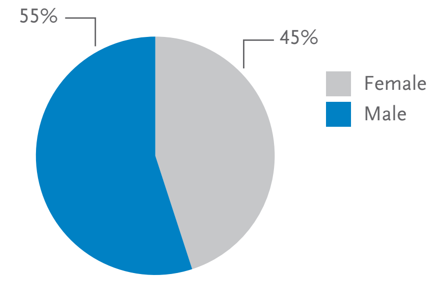
Great Working Environment

We have shaped and nurtured an environment where our employees are always willing to find better ways of doing things.

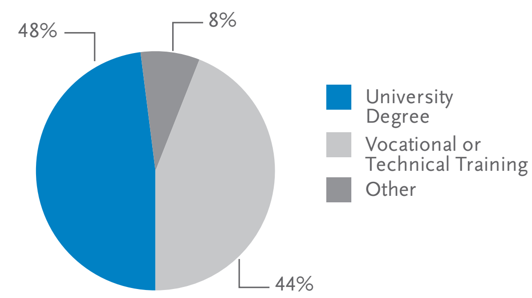
Preventing injuries and accidents in the workplace is always at the forefront. In 2013, two Össur locations received recognition regarding safety. Össur Europe was named the second "Safest Warehouse" in the Netherlands and Össur Mexico was certified as a "Safe Company" by maintaining the highest standard of compliance with Mexican Safety Regulations. We applaud the vigilance and commitment that each of our employees contributed to safe practices.

The Company is committed to developing working conditions in which employees can achieve their full potential regardless of sex, religion, opinion, nationality, race, sexual orientation, age or position. Össur has a diverse workforce and is committed to creating an environment where the skills, strengths and knowledge of all employees are utilized in full.

Gender Ratio

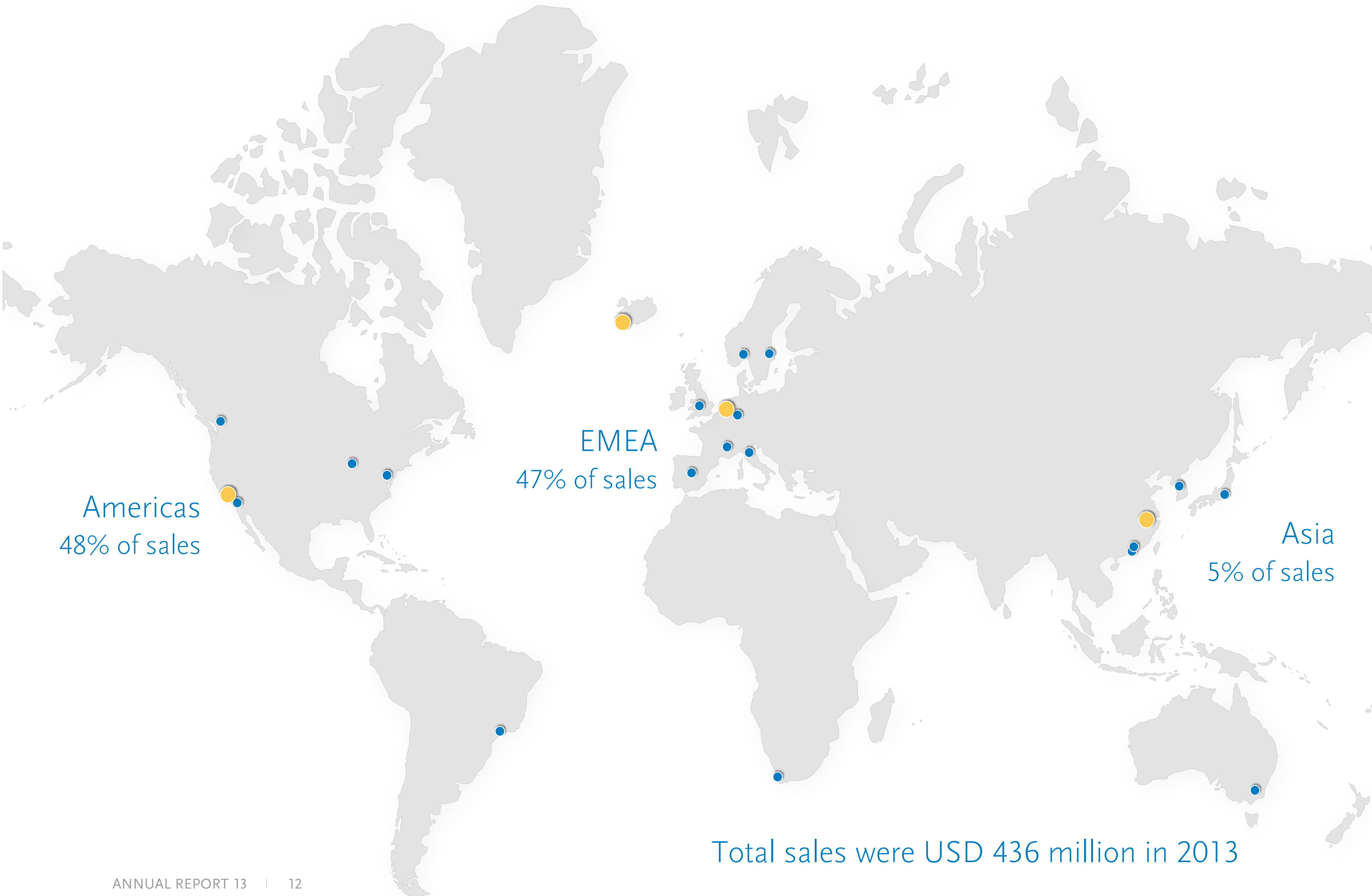


Education



LOCATIONS

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



Össur Head Office

Össur's headquarters are located in Reykjavik, Iceland. Operations in Iceland encompass manufacturing, global research and development, corporate finance, global marketing and sales, and a clinic for 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 in Albion, Michigan, and in Tijuana, Mexico. The Latin American market is serviced by the office in California as well as the 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; Saint-Étienne and Trévoux, France; Frechen, Germany; Budrio, Italy and Madrid, Spain. Össur operates a chain of clinics in Norway and Sweden. In addition to the European offices, the Company has an office in Cape Town, South Africa.

Össur Asia

The Össur Asia division serves diverse countries, from Pakistan to New Zealand with key markets being Japan, Australia, China, Korea and India. The main office is located in Shanghai, China. Other offices are located in Hui Yang and Hong Kong, China; Seoul, Korea; Sydney, Australia and Tokyo, Japan. Sales in Asia are handled both through direct sales and a comprehensive network of distribution partners.

Össur's Main Offices

1. Össur Head Office
   Reykjavik, Iceland
2. Össur Americas
   Foothill Ranch, California, USA
3. Össur Europe (EMEA)
   Eindhoven, Holland
4. Össur Asia
   Shanghai, China

MARKETS

Össur operates in the global orthopaedic industry, delivering advanced and innovative solutions within the bracing and supports, prosthetics and compression therapy markets.

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 98% of Össur products are reimbursed by a third party.	Healthcare systems, insurance companies, medical associations, end-users and their families.

Industry Dynamics

The aging population, changing lifestyles, technological developments and the regulatory environment 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 grow due to an increased number of sports related injuries and an increased demand for preventive products.

Technological Developments

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.

Regulatory Environment

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

External Environment 2013

The US prosthetic market continued to face numerous challenges in 2013 due to audits and prepayment claim reviews from reimbursement authorities. Medicare, the US governmental insurance program that covers a high percentage of the country's amputees, escalated its scrutiny of payments made to O&P providers. Medicare continues to focus primarily on products for higher-activity patients. While this continues to create uncertainty and operational challenges for O&P facilities, some regional data suggest Medicare has improved its documentation processes versus 2012, resulting in lower claim denial rates. Whether this signals a definitive trend or a temporary aberration remains to be seen. Össur brought a variety of services to the market in 2013 designed to help O&P facilities withstand this scrutiny.

The US bracing and supports market remained stable but highly competitive in 2013. In December, Medicare released an updated list of orthotic reimbursement codes that includes 23 new codes for "off-the-shelf" devices. Under applicable regulations, Medicare can include off-the-shelf orthotics in future rounds of its competitive bidding program. While forecasting the potential inclusion of off-the-shelf orthotics in competitive bidding is inherently uncertain, we expect the competitive bidding process to take approximately 18 months from beginning to end if orthotics are included. Accordingly, we do not anticipate that competitive bidding will have any direct impact on Össur in 2014.

In Europe, reimbursement systems are under pressure to cut costs and limit renewals. Increased demand for high-end products in key European markets, and demand for high quality products and health economic outcomes continues.

Reimbursement Systems

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 and clinical outcome of its products.


Essential Reading.
LY
2555
81

Business Segments

Bracing and Supports

Össur's bracing and supports products are used primarily to support joints and other body parts for therapeutic and preventive purposes. The bracing and supports market includes: spinal, knee, hip, foot, ankle and upper extremities bracing devices. The Company offers a comprehensive line of custom made and off-the shelf products with a primary focus on osteoarthritis and injury solutions.

Össur's management estimates that the size of the bracing and supports market within the US, EMEA and Asia is in the range of USD 2,700 to 3,000 million. Össur is the second largest player in the global bracing and supports market with market share in the range of 7 - 9%.

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 US, EMEA and Asia is approximately USD 1 billion. Össur is the second largest player in the prosthetics market with a market share around 20%.

Compression Therapy

Compression therapy is a treatment for venous ulcers and edema. Össur's compression therapy products, such as compression socks, thighs and bandages are used to apply pressure to the vascular system to improve blood circulation and minimize swelling.

Össur entered the compression therapy market in December 2006 with the acquisition of the French company Gibaud and currently only sells compression therapy products in France. Össur's market share in the French EUR 260 million market is around 7%. The compression therapy market has enjoyed steady growth in recent years.

All three business segments have similar market drivers and challenges

Market Drivers

- Aging and more active population.
- Increased instances of various 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 expenditure.
- Advances in vascular surgery.
- Easily accessible pain medication as an alternative for bracing and supports products.
- Compression standards differ between countries.
- Changes in reimbursement structure.

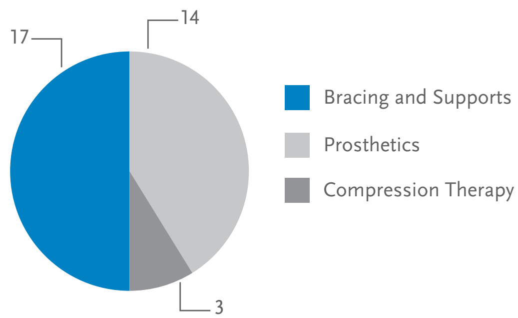
INNOVATION

The R&D vision is to make Össur the industry leader, creating the future through development of clinically validated innovative solutions.

Innovation is the profitable implementation of ideas. It is a key pillar of Össur's strategy and the catalyst for the Company's organic growth. In 2013, R&D expenses amounted to USD 21.5 million, corresponding to 5% of total sales. Investment in R&D activities has enabled 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 and 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, US, and Saint-Étienne, France.

R&D secured a steady pipeline of products durign 2013 with 34 product launches, split as follows:



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

- Introducing new product groups to address unmet medical needs.
- Developing valuable solutions for users, clinicians and other healthcare stakeholders based on proven medical necessities.
- Innovating within current product groups by exploring the feasibility of breakthrough technologies.
- Providing a strong and continuous product pipeline.
- Strategically growing the IP portfolio.
- Creating strategic technology alliances.

Indication Based Innovation

Össur's indication based innovation approach refers to the Company's increased efforts toward medically and clinically indicated and validated product development. In the development process, Össur's R&D teams rely on medical and biomechanical evidence, as well as economic data on health, in order to develop valuable concepts for individuals and healthcare systems. Medical benefits of Össur products are proven by testing and through scientific clinical research when applicable. The results are communicated to the stakeholders. In accordance with this effort, Össur initiates and promotes clinical studies in cooperation with recognized scientists and healthcare professionals.

As a part of the indication based approach Össur has mapped clinical pathways for increasing and improving on its product and service range. Clinical pathways refer to the different stages of progression and treatments of diseases. Mapping clinical pathways involves identification of possible points of intervention by products specifically tailored for the different stages of disease development and applied treatments.

Unity® Advanced Vacuum Suspension System

Össur's Unity® advanced vacuum suspension system is an example of applied indication based innovation. Volume fluctuations in the limb during the day are a challenge that every amputee has to deal with.

Unity is the lightest elevated vacuum and suspension system tested to provide sufficient suction to stabilize volume fluctuations and help maintain comfortable socket fit. It is designed to minimize changes in the volume of amputee's limb throughout the day and is totally compatible with Össur's Flex-Foot® and Seal-In® technologies.

By applying vacuum where it is needed – around the distal part of the limb – Unity helps to stabilize volume while creating highly effective and sleeveless vacuum suspension.

Functional Healing

Össur's seal of approval for a validated healing solution that maximizes mobility.

Össur Functional Healing is a range of solutions that enhance the body's natural healing process.

Based on solid 40 years of biomechanical experience, Functional Healing products incorporate proprietary technologies and are specially designed to supplement current treatment options. They are developed for use in specific indication based protocols, and are clinically validated in the form of proven clinically relevant outcomes, such as in-house testing, customer trials, clinical studies or existing clinical references.

Rebound® Cartilage - The first product with the Functional Healing seal of approval.

Rebound Cartilage is a protective functional solution designed to support the healing of knee cartilage after cartilage repair procedures, such as microfracture operations, OATS and (M)ACI.

Indication-based approach. Rebound Cartilage addresses an established post-operative requirement of restricted cartilage load combined with gradual increase in activity.

Proprietary technology. Rebound Cartilage incorporates patented Cartilage Protection Straps (CPS), which maintain an unloading moment in flexion, protecting the cartilage in the healing process.

Clinically relevant. The clinically proven three point leverage system delivers a reduced compartmental force over a range of knee flexion degrees, aiding partial weight-bearing during rehabilitation.

FUNCTIONAL HEALING
– WHERE MOBILITY MEANS RECOVERY

Intellectual Property

Össur's IP strategy is to actively protect its intellectual property rights generated through in-house innovation, acquisitions and licenses. The Company's IP portfolio is thus aligned with its overall business objectives. It 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 monetization of its non-core IP.

Össur is proactive in defense against any threats to its intellectual property rights, be it competition that infringes on Össur's patents or creating to the best possible extent IPR freedom for the commercial exploitation of new products. Although IPR conflicts demand considerable resources, Össur is determined to vigorously defend its investment in R&D and its market position.

At the end of 2013, Össur's worldwide IP portfolio consisted of 937 granted patents and designs and 374 patent and design applications. In addition, Össur also has 466 registered trademarks and 38 pending registrations in selected markets.

CORPORATE SOCIAL RESPONSIBILITY

Össur has been working on the active development of its Corporate Social Responsibility policy for the past six years. The Company began documenting its progress in a separate report in 2013. This overview includes key measurements and goals. Details on each aspect of the Company's CSR policy. As well as the discussions and rationale that led to the formation of the policy can be found in the 2013 CSR Progress Report.

To integrate and make CSR a natural part of the way Össur operates, the main focus has been on involving people across the organization. This enables the Company to foster discussions at all levels and make employees aware of the relevant aspects when making decisions in day-to day activities.

The Company's values are: honesty, frugality and courage. These values serve as the foundation and driving force behind Össur's success and guides 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. Össur operates in 18 countries and these values help the Company adapt to the various cultures in which it conducts business.

Össur joined the UN Global Compact in 2011, committing to its 10 principles with regards to human rights, labor practices, environmental concerns and anti-corruption. It is equally important for a global company like Össur to focus on CSR matters in a structured way, and report on its progress in a recognized manner.

Össur monitors various aspects within CSR and publishes measurements and future goals. When Össur first started working on CSR as a special initiative in 2008, the Company focused on two main areas: environmental concerns and fair operating practices. Since then these efforts have been expanded and certain activities have been implemented in most areas of the business. Össur is committed to making the Global Compact and its principles part of the Company's strategy, culture and day-to-day operations.

To develop and structure strategies to support the Company's CSR initiatives Össur has used materials and guidelines issued by the Global Compact. In the progress report, Össur uses GRI indicators (Global Reporting Initiative) to measure status and performance and in some instances internal KPI's. The areas Össur is currently focusing on are: suppliers, consumers and quality, environment, community support and the workplace with a special emphasis on health, safety and equality.

Further information about Össur's CSR activities can be found in the 2013 progress report, available on the Company's website: www.ossur.com/CSR

CSR areas and goals for 2015

Key measurements of Össur's main focus areas and goals for 2015

Aspect	Measurement	Indicator	2012	2013	Goal 2015
Labor Practices	Equal opportunities policy	Internal KPI	Not in place	In place	In place
Labor Practices	Incident rate	Internal KPI	27	16	17
Labor Practices	Incident rate per 100 employees	LA7 (GRI)	3.4	2.2	<2.3
Labor Practices	Number of agreements with product suppliers that include clauses on human rights concerns	HR1 (GRI)	81%	100%	95%
Child Labor	Number of product suppliers audited regarding child labor	HR6 (GRI)	91%	100%	95%
Environment	Total weight of waste by type and disposal method	EN22 (GRI)			Increase portion of recyclable waste
	• Recycled waste		36%	39%	
	• Trash		47%	46%	
	• Hazardous waste		16%	15%	

Further information on the indicators and measurements are in the CSR progress report for 2013. For some of the measurements the Company has already reached the goals set for 2015. These goals are being reevaluated and new goals and additional measurements being identified.

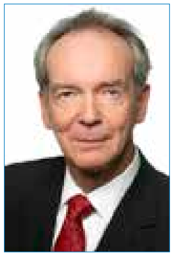
BOARD OF DIRECTORS

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 in 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) and 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 (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 an 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.

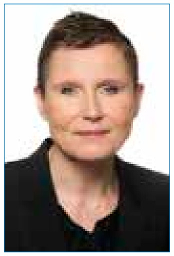
Arne Boye Nielsen

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.



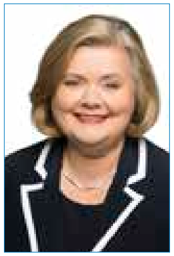
Kristján T. Ragnarsson

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. Mrs. Eggertsdóttir is the President & EVP of Strategic Projects of Actavis plc in Iceland, a global integrated specialty pharmaceutical company. Previous positions include 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.; Medical Representative at Pharmaco hf. Furthermore, she was the President of the European Generic Medicines Association 2011-2013, holds a seat on the board of Iceland Chamber of Commerce, a member of the board of Virðing hf., and an alternate a board member of Promote Iceland. Other board seats include Director of PrimaCare ehf., Pretium ehf., Actavis Group PTC ehf. and Medis ehf. Mrs. 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.

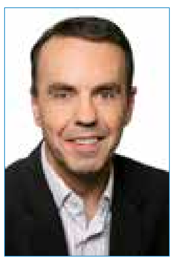
EXECUTIVE MANAGEMENT

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 341,168 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 companies/ 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

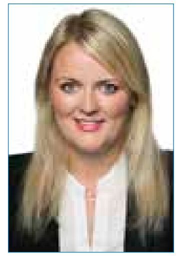


Egill Jónsson

Executive Vice President of Manufacturing and Operations, born 1957. Mr. Jónsson has been with Össur since 1996, and led the M&O function from that period. He was formerly a Project Manager at VGK hf, an Engineering firm in Reykjavik (1985-1996). 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.

Sveinn Sölvason

Chief Financial Officer (CFO), 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.

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.

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 PhD from the University of Lund in Sweden, with 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, as well as having 19 years of experience as an orthopaedic surgeon. Dr. Ingvarsson has been an Associate Professor at the University of Iceland since 2005 and is a board member of Medor since 2011. He is an experienced board member and was on the board of the University Hospital in Akureyri 1998-2009 and has been in various governmental committees in Iceland for innovation, healthcare and IT. Dr. Ingvarsson holds no shares in the Company.

ÖSSUR SHARES

Össur shares were listed on NASDAQ OMX in Iceland in 1999 and on NASDAQ OMX Copenhagen in 2009. In 2013 Össur's share price increased by 39%, from DKK 7.55 per share at yearend 2012 to DKK 10.50 per share at yearend 2013. Shareholders totaled 2,752 at yearend 2013, compared to 2,781 in 2012.

Major Shareholders

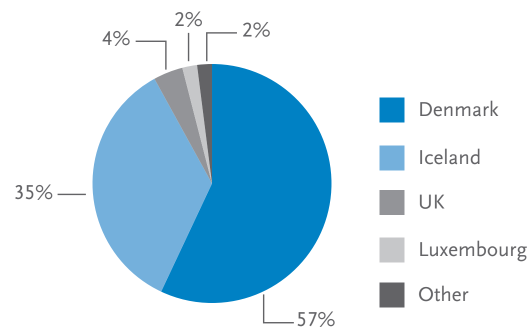
Össur's largest shareholder, William Demant Invest, has been a leading shareholder since 2005. Niels Jacobsen, President and CEO of William Demant Holding A/S, has been the Chairman of the Board of Directors since 2006.

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 except treasury shares.

In 2013, Össur delivered 2,774,815 shares as partial payment in connection with two acquisitions. At yearend, treasury shares totaled 2,243,177.

Share Holding by Country



IR Policy

The Company's IR policy is to disclose financial and corporate information in order to provide investors, analysts and other stakeholders with comprehensive and accurate information. 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 OMX. Össur adheres to the principle of equal treatment of all stakeholders.

All press releases and announcements are disseminated through a recognized distribution vehicle. Össur hosts investor meetings, teleconferences and internet presentations following each quarterly report and other momentous occasions, if needed. These

MAJOR SHAREHOLDERS

Shareholders that have announced holdings above 5% to the Company are:

Investor	Type of fund	Country	Holding
William Demant Invest A/S	Investment Fund	Denmark	41.2%
ATP	Pension fund	Denmark	6.2%
Lífeyrissjóður Verslunarmanna	Pension Fund	Iceland	6.0%
Gildi	Pension Fund	Iceland	5.5%

ÖSSUR HF.
Listed 1999
STOCK EXCHANGE
NASDAQ OMX Copenhagen
TICKER SYMBOL
OSSR
NUMBER OF SHARES
453,750,000

MARKET CAP
31.12.2013
DKK 4,764 Million
USD 880 million

In 2013 Össur's share price increased by 39%, from DKK 7.55 per share at yearend 2012 to DKK 10.50 per share at yearend 2013.

Share Price Developments

communications are recorded and available on Össur's website for at least two years. Furthermore, the Company meets interested investors and analysts on a regular basis.

Össur's CEO, CFO and IR manager meet frequently with current shareholders and other relevant investors and stakeholders. In addition, Össur participates in various healthcare conferences, both in Europe and the US.

Össur regularly hosts "Capital Markets Day," presenting and introducing various aspects of the Company to its stakeholders. In June 2013, Össur and William Demant held a joint Capital Markets Day in London.

Quiet Period

From the end of a quarter and up until the day of release of the relevant quarterly materials is considered a "quiet period." A period of four weeks prior to the release of the full-year report is also 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

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 new dividend policy to the shareholders at the Annual General Meeting in March 2013. The new dividend policy enables management to optimize the capital structure, manage interest bearing debt level and maintain flexibility for acquisitions.

New dividend policy confirmed at the 2013 AGM:

A new dividend policy was confirmed at Össur's Annual General Meeting in 2013. Össur's policy is to distribute a relatively stable dividend. The dividends will be decided annually in DKK per share based on realized earnings, the operational outlook and capital considerations.

In addition, the Company intends to purchase its own shares with the aim of maintaining a desired capital level of net interest bearing debt.

Össur will continue to evaluate annual dividends and the repurchase of shares against the objectives of maintaining a solid financial position and the need for strategic investments.

In 2013, the dividend paid was DKK 0.10 per share, equivalent to 22% of net earnings in 2012.

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 Annual General Meeting will be held at the Company's headquarters in Iceland on March 14, 2014.

Contact Investor Relations:

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Shareholder information on the internet

Össur's website hosts extensive information on the Company. Shareholders and other stakeholders can read and subscribe to press releases, monitor price trends of the shares, utilize interactive analyst tools, read the Company's annual reports and listen to teleconferences with the Company's management. A tool monitoring up-to-date recommendations by analysts is also available. The website contains extensive information about the Company's products and technology.

www.ossur.com/investors

Publication Schedule for Quarterly Reports	
First quarter	29.04.2014
Second quarter	24.07.2014
Third quarter	23.10.2014
Fourth quarter/Full year	05.02.2015
AGM 2015	12.03.2015

	Össur Press Releases in 2013
04.02	Q4 and the full year 2012 conference call
06.02	Full year report 2012
08.02	Share options granted
14.02	2013 Financial calendar
21.02	Annual General Meeting 15 March 2013
21.02	Annual report 2012
01.03	AGM final agenda and proposals
12.03	Candidates to the board of directors
15.03	Results of Össur Hf.'s Annual General Meeting
15.03	Board decisions following the Annual General Meeting 15 March 2013
27.03	New corporate finance leadership
18.04	Q1 Results - conference call 25 April
24.04	First quarter report 2013
30.04	Organizational changes
21.05	Össur acquires TeamOlmed in Sweden
21.05	Insider trading
22.05	Share options granted
20.06	Presentations from Össur's capital markets day
17.07	Q2 Results - conference call 25 July
24.07	Second quarter report 2013
30.08	Trading of treasury shares
01.10	Össur has completed the acquisition of TeamOlmed
16.10	Q3 Results - conference call 24 October
23.10	Third quarter report 2013
31.10	Insider trading
31.10	Össur reporting calendar 2014

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OVERVIEW 2013

Highlights 2013

The year started out with a weak first quarter, but gradually improved with good results in the third and fourth quarter. Profitability was particularly strong in the second half of the year, impacted by cost reduction initiatives successfully executed in the first half of the year. Performance in EMEA and Asia continued to be strong and effects from regulatory audits in the US market are slowly subsiding and the market is stabilizing.

Sales amounted to USD 436 million compared to USD 399 million in 2012, corresponding to a 9% growth and 2% organic growth, both measured in local currency. Bracing and supports sales grew by 12% and 2% organic, both measured in local currency. Prosthetics grew by 6% and 4% organic, both measured in local currency. Compression therapy declined by 1%, both organic and in local currency.

Sales from acquired companies amounted to USD 26 million and accounted for six percentage points of the total growth. One percentage point was due to currency effects.

Management estimates for 2014

- Local currency growth in the range of 14-16%.
- Organic, LCY sales growth in the range of 2-4%.
- EBITDA margin in the range of 17-19%.
- CAPEX in the range of 2.5-3.5%.
- Effective tax rate around 26%.

Sales by geography

USD '000	2013	% OF SALES	GROWTH USD	GROWTH LCY	ORGANIC GROWTH LCY
Americas	206,773	48%	-1%	0%	-1%
EMEA	206,008	47%	21%	19%	5%
Asia	23,493	5%	9%	11%	11%
Total	436,274	100%	9%	9%	2%

Sales by segment

USD '000	2013	% OF SALES	GROWTH USD	GROWTH LCY	ORGANIC GROWTH LCY
Bracing and supports	233,872	54%	12%	12%	2%
Prosthetics	182,578	42%	6%	6%	4%
Compression therapy	18,892	4%	2%	-1%	-1%
Other	932				
Total	436,274	100%	9%	9%	2%

We closed the year with a very strong quarter. The fourth quarter is the second consecutive quarter with good profitability and continued strong cash flow. The cost reduction initiatives executed in the second quarter have delivered expected results. We have yet another good year in EMEA behind us and in Americas we see some positive developments in the second half of the year. Asia delivered excellent growth as in previous years. During the year we closed three acquisitions, strengthening our position and sales channels, primarily in Scandinavia.

Jón Sigurðsson, President & CEO

Operating Income

Americas

Sales in 2013 in the Americas were flat. Direct bracing and supports sales continued to deliver moderate growth, while B&S sales in own distribution companies for the full year were negatively impacted by loss of sales due to reimbursement changes for one product segment. However, sales growth in own distribution companies improved in the second half of the year, particularly in Q4 which was also impacted by favorable comparison to Q4 2012. The prosthetics market has shown positive developments toward the end of the year. RAC audits continue, but customers are adapting to new processes and therefore effects from the audits are slowly subsiding. A decline in sales to Össur's largest customer had a material impact on the overall prosthetics sales in the Americas during the year. Acquisitions in 2013 had limited impact on the overall results in the Americas.

EMEA

Sales in EMEA continued to be strong and grew by 19% and 5% organic, both in local currency. The year has been good across all markets and segments with good performance in new markets. Sales in EMEA were impacted by acquisitions during the year, accounting for 14 percentage points of the overall growth.

Sales of compression therapy products declined by 1%.

Asia

Sales in Asia were excellent and grew by 11%, both organic and local currency growth. Overall performance in the Asia segment was good, with strong growth in key markets such as Japan and Australia.

Impact from Acquired Companies

Impact from acquired companies on reported sales in 2013 was USD 26 million and USD 23 million in Q4'13. Pro-forma impact on 2013 full year sales is USD 79 million.

Gross Profit

Gross profit amounted to USD 270 million and 62% of sales, compared to USD 248 million and 62% of sales in 2012. Consistent efficiency improvements and savings from in-sourcing to Mexico continue to contribute to a stable gross profit margin.

Operating Expenses

Operating expenses as a ratio to sales were 48%, the same ratio as in 2012. Cost reduction initiatives executed in the second quarter contributed to a decrease in operating expenses in the second half of the year. In Q4'13 operating expenses as a ratio to sales were 47% compared to 50% in Q4'12.

In relation to the cost reduction initiative, operations have been streamlined and headcount reduced, G&A operations simplified and selected cost reduction initiatives executed.

Profit from operations amounted to USD 60 million or 14% of sales compared to USD 57 million and 14% of sales in 2012, increasing by 6%.

Financial Items, Tax and Net Profit

Net financial expenses amounted to USD 3.7 million compared to USD 6.4 million in 2012. Net exchange rate difference was positive by USD 0.7 million compared to USD 0.3 million in 2012. Interest expenses continue to decrease as a result of lower debt and low interest rates.

Income tax amounted to USD 14.3 million, corresponding to a 26% effective tax rate, compared to USD 13.1 million and 26% effective tax rate in 2012.

The consolidated company as a whole is not jointly taxed. Individual companies are either independent taxable entities or part of a tax sub-consolidation in the country where located. The income tax rate of the parent company in Iceland was 20% in 2013.

Net profit increased by 8% and amounted to USD 41 million or 9% of sales, compared to USD 38 million and 9% of sales in 2012.

EBITDA

EBITDA amounted to USD 75 million and 17% of sales compared to USD 70 million and 18% of sales in 2012. EBITDA margin adjusted for one-time expenses and impact from acquired companies amounted to 19% of sales in 2013.

One-time expenses amounted to USD 5.0 million. USD 4.5 million were due to the cost reduction initiatives and USD 0.5 million are due to the acquisition of TeamOlmed.

EBITDA margin in acquired companies for a full year of operations is around 9%. Recently acquired companies have more seasonality in their operations, with the strongest sales and profitability occurring in Q2 and Q4.

Earnings per share

EARNINGS PER SHARE	2013	2012	CHANGE
EPS diluted (US cents)	9.1	8.4	8%
Cash EPS diluted (US cents)	12.5	11.4	10%

Cash flow and balance sheets

USD '000	2013	% OF SALES	2012	% OF SALES
Cash generated by operations	72,629	17%	70,553	18%
Net cash provided by operating activities	66,154	15%	57,568	14%

Cash flow was strong during the year, with cash from operations amounting to USD 73 million or 17% of sales, compared to USD 71 million and 18% of sales in 2012, increasing by 3% between years. Strong profit from operations and a positive contribution from working capital had positive effects on cash flow during the year.

Three acquisitions were completed during the year. They generated USD 43 million of goodwill and intangible assets amounted to USD 11 million, which will be amortized over a period of five years.

Equity ratio at year-end 2013 was 63% compared to 69% at year-end 2012.

Capital Expenditure and Investments

Capital investments during the year amounted to USD 17 million or 3.9% of sales, compared to USD 14 million and 3.6% of sales in 2012.

Acquisitions in 2013

During the year, Össur strengthened its position and sales channels through three acquisitions. The acquired companies are in Sweden, Norway and Brazil.

Full year 2013 sales for the acquired companies amounted to USD 79 million, however impact from acquired companies on reported sales for the full year 2013 amounted to USD 26 million, and in the fourth quarter USD 23 million.

EBITDA margin in acquired companies for a full year of operations in 2013 is around 9%.

Product Highlights

Sales of low active prosthetic solutions, such as the Balance line and Flex-Foot Assure, have been well received and are progressing in line with plans.

Sales of bionic products for the full year accounted for 13% of prosthetic sales, compared to 14% in 2012. Sales of bionic products in Q4'13 accounted for 15% of prosthetic sales, compared to 17% in Q4'12, which was a record quarter in bionic sales.

Strong sales of POWER KNEE™ continued and overall sales of bionics in EMEA have been excellent throughout the year.

In total, 34 new products were introduced during the year; 17 bracing and supports products, 14 prosthetic products and 3 compression therapy products.

Product highlights during the year:

CTi® Trinity

A brace designed according to individual measurements to fit unique anatomies and meet individual needs.

Rebound® Cartilage

Supports regeneration of the knee cartilage after repair procedures.

Unity® for Vari-Flex®

A Flex-Foot with a vacuum suspension system that offers the same sensation and restrictions as a sleeve. Unity has unique capacity to help stabilize soft tissue volume and maintain more effective suspension at the same time.

Vari-Flex® XC

Combines energy return with smooth roll-over motion. Designed for active users.

Aspire Line

A set of 3 products; a foot, a liner and components for emerging markets.

Product highlights during the year

Vari-Flex® XC

Unity® for Vari-Flex®

Aspire Line

CTi®

Rebound®

Prosthetics

Bracing and supports

RISK FACTORS

Responsible: Jón Sigurðsson, President & CEO

Investment in Össur's shares involves a high degree of risk. Össur's business, financial condition and results of operation going forward rest upon certain assumptions and could be seriously harmed if any of the factors described below occur. The Company cannot assure that its assumptions will be correct. Furthermore, additional risks and uncertainties not presently known to Össur, or that it currently deems immaterial, may also 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 to Össur. The Company expects, for example, that the population of elderly will continue to grow, 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 US, Europe and also operates 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 and political and social instability.

Product liability claims could adversely impact Össur's financial condition and operations, and impair its 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 continues to be available on commercially reasonable terms.

Third-party payers' cost-control methods may result in reduced sales or repayment of prior sales. Össur's business is subject to healthcare industry reforms and legislative and regulatory changes.

Most of Össur's products are reimbursed by third-party payers, including both government healthcare programs and private health insurance plans. All third-party payers are developing increasingly sophisticated methods of controlling healthcare costs, including review of claims. These cost-control methods also potentially limit the coverage and the amount of payment for which third-party payers may be willing to pay for medical products. 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 may decline significantly and its customers may reduce or eliminate purchases of its products. Review of claims may lead to repayment of prior sales. Further, future legislative or regulatory initiatives directed at reducing costs could be introduced. The Company cannot predict the impact of future legislative or regulatory initiatives on its business.

Clinics depend on government contracts and tender business.

Considerable sales and profit in the clinics that Össur owns are directly dependent on government contracts and tender business. These are often awarded for several years, and if the contracts don't continue it can result in a decline in sales and profit.

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's products are medical devices that are subject to extensive regulation in the United States by the Food and Drug Administration (FDA), and by respective authorities in other countries where Össur conducts business. Such regulation can regulate 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 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 this risk by adhering to relevant policies and procedures, educating managers, monitoring changes to employment legislation and carrying insurance. However, the Company cannot guarantee that it won't be found liable in the future or that the insurance coverage is sufficient or will continue to be available on commercially reasonable terms.

Strikes in countries in which Össur operates are also a risk.

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 of 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 US dollar, hence fluctuations in local currencies can have an impact on the operations of the Company. Fluctuation in the exchange rates between the US dollar, Euro and Icelandic krona can 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 obliged 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 Össur's view and may question the Company's interpretation. Also, relevant laws and regulations may change as a result of which higher taxes could become due or 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 system, the VoIP phone system and the Exchange/Outlook email system. Those systems can fail resulting in serious influence on the business like reduced ability to receive orders and an impossibility to complete deliveries. Without the ERP system working the ability to receive orders and complete shipping is seriously reduced. To improve reliability, Össur consolidated its systems into one highly reliable data center in the US, duplicated for the mission critical systems into a disaster recovery site located in Europe.

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 accidents or illnesses that are currently incurable. 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 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 to 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 orthopaedic 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 orthopaedic 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 orthopaedic professionals and O&P clinics, could adversely affect Össur's business and results of operations.


OAKLEY
ROCKSTAR
OAKLEY

Össur's aim is to 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 accelerate the consolidation of the market, and strengthen their own position, at the expense of other participants like Össur.

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 3% of the Company's net sales at yearend 2013. 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 a risk ranking program in all its manufacturing facilities, and managed to reduce the level of risk and increase 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 fulfill 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 and carbon, metals and other raw materials. Such raw materials may not always be available on favorable 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 2013.

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 descripton 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 and it is recommended in the explanations of clause 4.3 of NASDAQ OMX Copenhagen's rules for issuers of shares 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 were issued by the Corporate Governance Committee in May 2013 and 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. It 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 been on the Board for 15 years. The two other members of the Board are considered independent. In the Board's opinion, it is normal and understandable that the controlling shareholder is represented by two out of five members of the Board. It is also the Board's opinion that its longest serving member is in fact acting independently of special interest and his skills and experience, including his medical expertise and knowledge of the US healthcare system, are valuable to the Board and ensure diversity within it.
- No nomination committee has been established and a remuneration committee was abolished in 2010 and the Company has not had such a committee since then. In the Board of Directors' 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 members of the Board. The Board has the role and responsibilities such committees would otherwise have.
- The Remuneration Policy does not include criteria that ensures that vesting periods 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. On the other hand, the vesting time for share options for long-term performance is currently three years.

- 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 in the beginning and not periodically. The Company has had the same setup in previous share incentive schemes and it was not considered feasible to propose a switch to a rollover program at the time. The Company will consider doing so the next time a share incentive scheme is introduced.

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 on the identification, description and handling of the 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 forecasting process each year and a strategy and forecast report is prepared. The Board approves the Company's strategy, forecasts and targets each year. Performance against targets is monitored on a monthly basis. This includes a year over year comparison where main reasons for changes are explained. A twelve-month forecast is available at all times and forecasts are updated quarterly and reasons for changes explained.

To ensure high quality in 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 over 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 materials 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 any significant findings regarding accounting matters and any significant internal control deficiencies via the Audit Committee to the Board of Directors.

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 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 and decide on salary and the terms of employment, establish terms of reference and supervise the CEO's work.
- Supervise continuously and precisely all aspects of the Company's operations and ensure that the Company's organization and activities are always in order. In particular, the Board of Directors shall ensure adequate supervision of the financial control and accurate reporting and disposal of the Company's financial assets, and at least once a year confirm the Company's financial plans.
- Establish the Company's goals in accordance with the Company's objectives pursuant to the Articles of Association, and formulate the policy and strategy required to achieve these goals.

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 instructions in that regard. The daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specially authorized by the Board, unless it 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.
- The CEO shall normally act as chairman in the Company's subsidiaries, which are connected with the sales and manufacturing activities and/or the core activities of the Company.
- The CEO is responsible for the work and results of Executive Management.
- The CEO shall ensure that the Consolidated Financial Statements of the Company conform to the law and accepted practices and that the treatment of the Company's assets is secure. The CEO shall provide any information that may be requested by the Company's Auditors.

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 AND SHAREHOLDING

The Remuneration and Shareholding of Össur Board of Directors and Executives

	Position	Remuneration(i) USD '000	Number of Shares 2013 (Incl. Financially Linked Parties)	Number of Shares 2012 (Incl. Financially Linked Parties)	Share option
Board of Directors					
Niels Jacobsen (ii)	Chairman of the Board	93	187.279.233	187.279.233	0
Kristján Tómas Ragnarsson	Vice Chairman	56	623.789	623.789	0
Arne Boye Nielsen	Board member	37	0	0	0
Svafa Grönfeldt	Board member	37	0	0	0
Guðbjörg Edda Eggertsdóttir	Board member	0	26.318	26.318	0
CEO and Executive Management					
Jón Sigurðsson	President &CEO	1.303	381.168	341.168	1.250.000
Sveinn Sölvason	CFO	221	0	0	600.000
Egill Jónsson	EVP of M&O	444	822.749	822.749	500.000
Jos van Poorten	Managing Director EMEA	418	0	0	300.000
Margrét Lára Friðriksdóttir	EVP of Human Resources and Corporate Strategy	242	14.100	14.100	100.000
Ólafur Gylfason	Executive Vice President of Sales and Marketing	600	0	0	500.000
Þorvaldur Ingvarsson	EVP of R&D	422	0	0	500.000

(i) Salaries and related expenses.
(ii) The vast majority of the shares, or 187,085,828 are owned by William Demant Invest A/S, where Niels Jacobsen is the General Manager.

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 Executive Management with the Company's performance long-term.

The remuneration of the President & CEO and 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 50% of the basic salary. In determining bonuses, special attention shall be given to the Company's overall results, actual growth and its long-term profitability. 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 rights. Pension payments shall be paid to pension funds 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, but instead shall mutual termination clauses in employment agreements apply. Termination clauses shall not exceed twenty-four (24) months.

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 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 share options, cf. item 3 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 2013

FINANCIAL HIGHLIGHTS AND KEY RATIOS

CONSOLIDATED STATEMENTS			2013	2012	2011	2010
INCOME STATEMENT	Net sales	USD '000	436,274	399,437	398,325	358,538
	Gross profit	USD '000	269,938	247,952	246,070	222,622
	Operating expenses (excl, other income)	USD '000	210,094	191,278	188,773	163,964
	Profit from operations	USD '000	60,207	56,776	59,400	60,245
	Net profit	USD '000	40,954	37,763	34,608	35,362
	EBITDA	USD '000	75,471	69,956	72,606	74,358
SALES GROWTH	Sales growth USD	%	9	0	11	9
	Growth breakdown:					
	Organic growth in LCY	%	2	3	5	6
	Currency effect	%	1	(3)	3	(1)
	Acquired/divested business	%	6	1	4	4
BALANCE SHEET	Total assets	USD '000	706,248	591,163	579,968	607,078
	Equity	USD '000	448,037	407,734	364,733	343,558
	Net interest-bearing debt (NIBD)	USD '000	107,785	82,218	111,413	132,816
CASH FLOWS	Cash generated by operations	USD '000	72,629	70,553	68,377	64,331
	Cash provided by operating activities	USD '000	66,154	57,568	48,447	39,995
	Cash flows from investing activities	USD '000	(80,861)	(26,633)	(18,585)	(18,987)
	Cash flows from financing activities	USD '000	32,783	(29,173)	(64,507)	(45,594)
	Free Cash flow	USD '000	49,205	43,310	32,493	33,389
KEY FIGURES	Operating margin	%	13.8	14.2	14.9	16.8
	EBITDA margin	%	17.3	17.5	18.2	20.7
	Equity ratio	%	63.4	69.0	62.9	56.6
	Ratio of net debt to EBITDA		1.4	1.2	1.5	1.8
	Ratio of debt to EBITDA		2.0	1.5	1.8	2.5
	Current ratio		1.9	1.9	1.7	1.9
	Return on equity	%	9.5	10.0	9.6	10.2
	Number of employees year end		2,097	1,878	1,850	1,523
MARKET	Market value of equity	USD '000	880,075	605,649	675,533	777,593
	Number of shares	Millions	454	454	454	454
	Price/earnings ratio, (P/E)		21.7	15.8	20.0	22.3
	Diluted EPS	US Cent	9.1	8.4	7.7	7.8
	Diluted Cash EPS	US Cent	12.5	11.3	10.6	10.9

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 2013. 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, bracing and supports and compression therapy 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, Spain, S-Africa, China, Hong Kong, Korea 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 436.3 million, compared to USD 399.4 million in the preceding year. This represents an increase in sales of 9.2%. Net profit amounted to USD 41.0 million compared to USD 37.8 million in 2012. Diluted Earnings per Share amounted to US cents 9.1 compared to US cents 8.4 in 2012. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 75.5 million compared to USD 70.0 million in the preceding year.

The total assets of the Össur Consolidation amounted to USD 706.2 million at year end, liabilities were 258.2 million and equity was 448.0 million. The equity ratio at year end was 63%, compared to 69% the preceding year.

In the course of the year the Company employed on average 1,765 employees and 2,097 at year end.

Össur is listed on the NASDAQ OMX Copenhagen. The market value of the Company at year end was USD 880 million. During the year the share price in DKK increased by 39%. At year end, shareholders in Össur hf. numbered 2,748 compared to 2,781 at the beginning of the year. The ten biggest shareholders and their ownership percentage are: William Demant Invest A/S - 41.2%, Lífeyrissjóður Verslunarmanna - 7.6%, Gildi lífeyrissjóður - 6.0%, Arbejdsmarkedets Tillægspension - 5.1%, LSR-Lífeyrissjóður Bankastræti 7 - 4.6%, Stefnir IS-15 - 1.8%, JP Morgan Chase Bank - 1.7%, Sameinaði lífeyrissjóðurinn - 1.5%, Highclere Investment Fund - 1.5%, Fidelity funds - 1.4%, Stafir lífeyrissjóður - 1.4%.

A new share option scheme was approved by the Annual General Meeting on 15 March 2013 in accordance with the Company's Remuneration Policy. The CEO, Executive Management and next level of management can be granted up to 6,750,000 share options at each time, vesting three years after grant date and can be exercised for a period of one year during open trading windows. At this time 6,350,000 share options have been issued and are outstanding in total. The exercise price is determined as the Company's average share price on NASDAQ OMX Copenhagen 20 trading days prior to the grant date. The exercise price shall be adjusted for any dividend payments made by the Company after the grant date.

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. No Össur employees are sitting on the Board of Directors.

The Board of Directors recommends payment of dividends to shareholders in 2014 amounting to DKK 0.10 per share, this approximates USD 8 million and 20% of 2013 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 2013 with their signatures.

REYKJAVÍK, 5 FEBRUARY 2014

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 December 31, 2013, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 2013, 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 2014
DELOITTE EHF.

Þorsteinn Pétur Guðjónsson
State Authorized Public Accountant

Signý Magnúsdóttir
State Authorized Public Accountant

All amounts in thousands of USD

CONSOLIDATED INCOME STATEMENTS 2013 AND 2012

	NOTES	2013	2012
Net sales	5	436,274	399,437
Cost of goods sold		(166,336)	(151,485)
GROSS PROFIT		269,938	247,952
Other income		363	102
Sales and marketing expenses		(139,080)	(120,924)
Research and development expenses		(21,537)	(22,131)
General and administrative expenses		(49,477)	(48,223)
PROFIT FROM OPERATIONS		60,207	56,776
Financial income		217	153
Financial expenses		(4,619)	(6,788)
Net exchange rate difference		681	281
Net financial income / (expenses)	8	(3,721)	(6,354)
Share in net profit of associated companies		(1,197)	456
PROFIT BEFORE TAX		55,289	50,878
Income tax	9	(14,335)	(13,115)
NET PROFIT		40,954	37,763
Attributable to:			
-Owners of the Company		40,483	38,451
-Non-controlling interests		471	(688)
		40,954	37,763
EARNINGS PER SHARE	10		
Basic Earnings per Share (US Cent)		9.1	8.4
Diluted Earnings per Share (US Cent)		9.1	8.4

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 2013 AND 2012

	NOTES	2013	2012
NET PROFIT		40,954	37,763
OTHER COMPREHENSIVE INCOME			
Change in cash flow hedges		1,036	1,334
Translation difference of shares in foreign operations		1,055	3,894
Income tax relating to components of other comprehensive income		538	199
Other comprehensive income (net of tax)		2,629	5,427
Total comprehensive income		43,583	43,190
Attributable to:			
-Owners of the Company		43,112	43,878
-Non-controlling interests		471	(688)
		43,583	43,190

All amounts in thousands of USD

CONSOLIDATED BALANCE SHEET

ASSETS	NOTES	31.12.2013	31.12.2012
NON-CURRENT ASSETS			
Property, plant and equipment	12	40,360	35,489
Goodwill	13	396,601	348,935
Other intangible assets	14	47,871	33,136
Other financial assets	16	5,486	6,824
Deferred tax assets	25	22,159	26,565
		512,477	450,949
CURRENT ASSETS			
Inventories	17	66,825	56,757
Accounts receivables	18	71,239	52,666
Other assets	19	13,938	8,913
Bank balances and cash	20	41,769	21,878
		193,771	140,214
TOTAL ASSETS		706,248	591,163

31 DECEMBER 2013 AND 31 DECEMBER 2012

EQUITY AND LIABILITIES	NOTES	31.12.2013	31.12.2012
EQUITY			
Issued capital	21	198,365	193,791
Reserves		4,083	1,091
Retained earnings		244,202	211,971
Equity attributable to owners of the Company		446,650	406,853
Non-controlling interest in equity		1,387	881
TOTAL EQUITY		448,037	407,734
NON-CURRENT LIABILITIES			
Borrowings	23	129,556	83,742
Deferred tax liabilities	25	21,117	17,687
Provisions	26	4,751	4,838
Other financial liabilities	24	1,264	2,151
		156,688	108,418
CURRENT LIABILITIES			
Borrowings	23	19,998	20,354
Accounts payable		21,070	17,120
Taxes payable		6,342	767
Provisions	26	4,491	4,762
Accrued salaries and related expenses		25,951	16,894
Other liabilities	28	23.671	15,114
		101,523	75,011
TOTAL EQUITY AND LIABILITIES		706,248	591,163

All amounts in thousands of USD

CONSOLIDATED STATEMENTS OF CASH FLOWS 2013 AND 2012

	NOTES	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations		60,207	56,776
Depreciation and amortization	12, 14	15,266	13,180
(Gain) / loss on disposal of assets		119	127
Change in provisions		(408)	1,394
Changes in operating assets and liabilities		(2,555)	(924)
CASH GENERATED BY OPERATIONS		72,629	70,553
Interest received		199	127
Interest paid		(3,426)	(4,637)
Taxes paid		(3,248)	(8,475)
NET CASH PROVIDED BY OPERATING ACTIVITIES		66,154	57,568
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets	12, 14	(17,052)	(14,319)
Proceeds from sale of fixed assets		103	61
Acquisition of subsidiaries		(64,238)	(11,443)
Changes in financial assets		326	(932)
		(80,861)	(26,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		866	0
Repayments of long-term borrowings		(21,424)	(21,718)
Changes in revolving credit facility		61,630	(6,840)
Payment of dividends		(7,861)	0
Dividends from subsidiaries paid to non-controlling interests		(428)	(615)
		32,783	(29,173)
NET CHANGE IN CASH		18,076	1,762
Effects of exchange rate changes on:			
Balance of cash held in foreign currencies		(393)	(240)
Other items held in foreign currencies		2,208	700
CASH AT BEGINNING OF PERIOD		21,878	19,656
CASH AT END OF PERIOD		41,769	21,878
Additional information regarding cash flow	11		

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	SHARE OPTION RESERVE	HEDGING RESERVE	TRANSLATION RESERVE	ACCUMULATED PROFITS	ATTRIB, TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2012	5,024	188,767	1,267	1,453	(2,979)	(3,582)	173,120	363,070	1,663	364,733
Net profit							38,451	38,451	(688)	37,763
Change in cash flow hedges net of tax					1,392			1,392		1,392
Translation difference of shares in foreign operations						4,035		4,035		4,035
Total comprehensive income for the period	0	0	0	0	1,392	4,035	38,451	43,878	(688)	43,190
Payment of dividends								0	(307)	(307)
Share option charge for the period				892				892		892
Share option reserve release				(400)			400	0		0
Share option vested during the period				(987)				(987)		(987)
Arising on acquisition								0	213	213
Balance at 31 December 2012	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 options 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

All amounts in thousands of USD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Össur hf. is a global orthopaedics company, specializing in the design, development, manufacturing and sales of prosthetics, bracing and supports and compression therapy products. The principal market areas of the Company are the Americas, Europe, Middle East and Africa (EMEA) and Asia.

According to the Company's organizational structure, the consolidation is divided into five main functions; Corporate Finance, responsible for overall financial management; Manufacturing & Operations, responsible for quality control and all production, inventory management and distribution; Research & Development, responsible for product development, Global product management, responsible for aligning practices within marketing and across divisions in: product management, marketing communication and clinical education; Sales & Marketing, responsible for sales and marketing through the subsidiaries.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 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 2013. Management believes that those new and revised IFRS standards do not have material effect on amounts reported in the Consolidated Financial Statements.

2.2 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for Consolidated Financial Statements for listed companies. The Financial Statements are presented in USD, which is the Company 's functional currency.

3.2 BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Financial Statements for the period ended 31 December 2012.

3.3 BASIS OF CONSOLIDATION

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the Consolidated Income Statement from the effective date of acquisition as appropriate. 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. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with those used by other members of the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 BUSINESS COMBINATION

Acquisitions of subsidiaries and businesses are accounted for using the acquisition (purchase) method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Company in exchange for control of the acquire. Acquisition-related costs are recognized in profit or loss as incurred.

The acquires 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 acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) recognized. If, after reassessment, the Company's interest in the net fair value of the acquires identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

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.

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.

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.

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.

3.5 INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

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.

3.6 GOODWILL

Goodwill arising in a business combination represents the excess of the purchase price over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. 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 3.5 above.

3.7 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.

3.8 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.

3.9 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).

Exchange differences are recognized in the Income Statement in the period they occur, except for exchange differences related to hedging instruments that are designed as hedges of net investment in foreign operations. These exchange differences are included in the foreign currency translation reserve in Other Comprehensive Income. Such exchange differences are recognized in the income statement in the period which the foreign operations are disposed of.

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.

3.10 BORROWING COSTS

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

3.11 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 22.

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.

3.12 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 consolidated Company's current tax liability is calculated using tax rates that apply for 2013 in each country.

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.

3.13 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.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Income Statement.

3.14 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.

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.

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, internally-generated intangible assets 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 29.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, 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 13.

As described at 3.15, the Company reviews the estimated useful lives of property, plant and equipment at the end of each balance sheet date.

5. NET SALES

Specified according to product lines:

	2013	2012
Bracing and support	233,872	208,255
Prosthetics	182,578	171,895
Compression therapy (Phlebology)	18,892	18,440
Other products	932	847
	436,274	399,437

6. SEGMENT INFORMATION

2013	AMERICAS	EMEA	ASIA	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)
Profit before tax					55,289
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	9,042	7,655	355	0	17,052
Depreciation and amortization	5,481	9,425	358	0	15,264

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of financial income, financial expenses and income tax expense. This is the measure reported to the President and CEO for the purposes of resource allocation and assessment of segment performance.

Sales of approximately 21 million USD (2012: 25 million USD) arose from sales to the Company's largest customer.

2012	AMERICAS	EMEA	ASIA	ELIMINATIONS	CONSOLIDATED
SALES					
External sales	207,999	169,932	21,506	0	399,437
Inter-segment sales	39,846	121,104	0	(160,950)	0
Total sales	247,845	291,036	21,506	(160,950)	399,437
RESULTS					
Segment result	20,379	31,260	5,137	0	56,776
Financial income/(expenses)					(6,354)
Share in net profit of associated companies					456
Profit before tax					50,878
Income tax					(13,115)
Net profit					37,763
BALANCE SHEET 31.12.2012					
Segment assets	511,778	384,283	15,455	(320,353)	591,163
Segment liabilities	187,483	217,119	6,522	(227,695)	183,429
OTHER INFORMATION 2012					
Capital additions	4,583	9,105	631	0	14,319
Depreciation and amortization	4,817	8,033	330	0	13,180

All amounts in thousands of USD

7. SALARIES

Salaries and salary-related expenses, paid by the Company, are specified as follows:

	2013	2012
Salaries	132,669	111,435
Salary related expenses	29,023	26,520
	161,692	137,955

Included in salary-related expenses are pension related expenses amounting to 5,8 million (2012: 5,1 million).

Number of employees on average	1,765	1,860
Number of employees at period end	2,097	1,878

Salary related expenses, classified by operational category, are specified as follows:

	2013	2012
Cost of goods sold	46,094	37,184
Sales and marketing expenses	75,366	63,565
Research and development expenses	11,472	12,006
General and administrative expenses	28,760	25,200
	161,692	137,955

MANAGEMENT SALARIES AND BENEFITS

	SALARIES AND RELATED EXP,	STOCK OPTIONS	SHARES OWNED
BOARD OF DIRECTORS:			
Niels Jacobsen - Chairman of the Board (i)	93	0	187,279,233
Kristján Tómas Ragnarsson - Vice Chairman	56	0	623,789
Arne Boye Nielsen	37	0	0
Guðbjörg Edda Eggertsdóttir	0	0	26,318
Svafa Grönfeldt	37	0	0
Þórður Magnússon (prior board member)	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,

2013	FIXED BASE SALARY	CASH BASED INCENTIVE	PENSION	OTHER BENEFITS	SHARE BASED INCENTIVE	TOTAL REMUNERATION
EXECUTIVE MANAGEMENT						
Jón Sigurðsson President and CEO[i]	897	100	0	153	153	1,303
Sveinn Sölvason CFO	150	20	14	0	37	221
Egill Jónsson EVP of M&O[ii]	283	60	34	0	67	444
Margrét Friðriksdóttir EVP HR & Strategy[iii]	193	26	7	11	5	242
Þorvaldur Ingvarsson EVP of R&D	286	38	31	0	67	422
Ólafur Gylfason EVP Sales & Marketing	414	68	23	34	61	600
Jos Van Poorten MD EMEA	263	66	37	20	32	418
Left the company during the year:						
Hjörleifur Pálsson CFO	284	27	31	0	0	342
Mahesh Mansukhani President of S&M America	283	6	4	67	0	360
	3,053	411	181	285	422	4,352

Two new positions were added to the Executive Management during the year. At beginning of year Ólafur Gylfason moved into a new position as Executive vice president of Sales and Marketing leading sales both in Americas and EMEA and Jos Van Poorten took over his position as Managing Director of EMEA. At June 1st. Margret Friðriksdóttir moved into a new position as EVP HR & Strategy. The CFO position was filled by Sveinn Sölvason at April 30th.

2012	FIXED BASE SALARY	CASH BASED INCENTIVE	PENSION	OTHER BENEFITS	SHARE BASED INCENTIVE	TOTAL REMUNERATION
EXECUTIVE MANAGEMENT						
Jón Sigurðsson President and CEO (i)	927	224	0	175	115	1,441
Hjörleifur Pálsson CFO	470	64	43	0	50	627
Egill Jónsson EVP of M&O (ii)	296	51	36	0	50	433
Þorvaldur Ingvarsson EVP of R&D	135	0	11	0	44	190
Mahesh Mansukhani President of S&M America	449	35	7	10	65	566
Ólafur Gylfason Man. Director S&M EMEA	435	85	44	0	46	610
Left the company during the year:						
Hilmar Bragi Janusson EVP of R&D	298	44	28	0	0	370
	3,010	503	169	185	370	4,237

(i) Shares owned by Jón Sigurðsson 381,168 (2012: 341,168), (ii) shares owned by Egill Jónsson 822,749 (2012: 822,749),(iii) shares owned by Margrét Friðriksdóttir 14,100.

All amounts in thousands of USD

8. FINANCIAL INCOME / (EXPENSES)

Financial income and (expenses) are specified as follows:

	2013	2012
FINANCIAL INCOME		
Interests on bank deposits	77	71
Other financial income	140	82
	217	153
FINANCIAL EXPENSES		
Interests on loans	(3,979)	(6,219)
Other financial expenses	(640)	(569)
	(4,619)	(6,788)
Net exchange rate differences	681	281
Net financial income / (expenses)	(3,721)	(6,354)

9. INCOME TAX

	2013	2012
Current tax expenses	(9,370)	(6,120)
Deferred tax expenses	(4,965)	(6,995)
	(14,335)	(13,115)

	2013 AMOUNT	%	2012 AMOUNT	%
Profit before taxes	55,289		50,878	
Income tax calculated at 20%	(11,058)	20%	(10,176)	20%
Effect of different tax rates of other jurisdictions	(2,823)	5%	(1,970)	4%
Effect of non-deductible expenses / nontaxable income	(289)	1%	(1,061)	2%
Other effects	(165)	0%	92	(0%)
	(14,335)	26%	(13,115)	26%

Deferred tax:

	2013	2012
Origination and reversal of temporary differences	(5,010)	(6,991)
Write-downs (reversals of previous write-downs) of deferred tax assets	0	(104)
Losses (recognized) and utilized	42	0
Effect of changes in tax rate	3	100
	(4,965)	(6,995)

Deferred tax balances:

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)		0	(11)	0	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	0	2,789
Inventories	1,743	(94)		124	(1)	0	1,772
Provisions	(598)	811		(1)	(8)	0	204
Current liabilities	2,123	(882)		(982)	(6)	0	253
Receivables	(744)	14		0	2	0	(728)
Other	974	(1,168)	(82)	(51)	14	0	(313)
Total	8,878	(4,965)	(82)	(2,561)	(228)	0	1,042

2012	1.1.2012	RECOGNIZED IN INCOME STATEMENT	RECOGNIZED DIRECTLY IN EQUITY	ACQUISITIONS / DISPOSALS	EXC. RATE DIFFERENCE	RECLASSIFIED	31.12.2012
Goodwill	15,038	(4,774)			4		10,268
Intangible assets	(4,996)	341			(32)		(4,687)
Operating fixed assets	(787)	(107)			5		(889)
Tax loss carry forward	859	(175)			4		688
Inventories	1,624	137			(18)		1,743
Provisions	(235)	(365)			2		(598)
Current liabilities	3,310	(1,190)			3		2,123
Receivables	(941)	198			(1)		(744)
Other	2,069	(1,060)	(44)		9		974
Total	15,941	(6,995)	(44)	0	(24)		8,878

All amounts in thousands of USD

10. EARNINGS PER SHARE

	2013	2012
Net profit	40,954	37,763
Total weighted average number of ordinary shares (in thousands)	449,638	448,732
Total average number of shares including potential shares from options (in thousands)	449,850	448,965
Basic earnings per share (US cent)	9.1	8.4
Diluted earnings per share (US cent)	9.1	8.4
Cash earnings per share	12.5	11.4
Diluted cash earnings per share	12.5	11.3

11. ADDITIONAL INFORMATION REGARDING CASH FLOW

	2013	2012
Net profit	40,954	37,763
Items not affecting cash	22,393	22,143
Working capital provided by operating activities	63,347	59,906
(Increase) / decrease in inventories	317	(3,476)
(Increase) / decrease in receivables	(7,590)	9,974
Increase / (decrease) in payables	10,080	(8,836)
Net cash provided by operating activities	66,154	57,568

12. PROPERTY, PLANT AND EQUIPMENT

2013	BUILDINGS & SITES	MACHINERY & EQUIPMENT	FIXTURES & OFFICE EQUIP.	TOTAL
COST				
At 1 January 2013	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 2013	15,184	58,023	33,300	106,507
DEPRECIATION				
At 1 January 2013	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 2013	9,452	38,457	18,238	66,147
Carrying amount at 31 December 2013	5,732	19,566	15,062	40,360

2012	BUILDINGS & SITES	MACHINERY & EQUIPMENT	FIXTURES & OFFICE EQUIP.	TOTAL
COST				
At 1 January 2012	13,865	38,957	25,469	78,291
Additions	141	5,227	2,669	8,037
Acquired on acquisition of subsidiary	0	390	496	886
Exchange rate differences	274	176	339	789
Eliminated on disposal	(125)	(366)	(44)	(535)
Fully depreciated assets	0	(1,920)	(1,970)	(3,890)
At 31 December 2012	14,155	42,464	26,959	83,578
DEPRECIATION				
At 1 January 2012	8,226	21,453	12,373	42,052
Charge for the period	384	5,556	3,625	9,565
Acquired on acquisition of subsidiary	0	120	103	223
Exchange rate differences	164	134	183	481
Eliminated on disposal	(40)	(296)	(6)	(342)
Fully depreciated assets	0	(1,920)	(1,970)	(3,890)
At 31 December 2012	8,734	25,047	14,308	48,089
Carrying amount at 31 December 2012	5,421	17,417	12,651	35,489

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

	2013	2012
Cost of goods sold	4,811	4,937
Sales and marketing expenses	1,131	705
Research and development expenses	473	662
General and administrative expenses	3,146	3,261
	9,561	9,565

All amounts in thousands of USD

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

Buildings	20 - 50 years
Fixtures and furniture	2 -10 years
Machinery and equipment	4 - 10 years

ASSETS PLEDGED AS SECURITY

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

13. GOODWILL

	2013	2012
COST		
At 1 January	348,935	333,484
Arising on acquisition of subsidiaries	43,473	12,295
Exchange rate differences	4,193	3,156
At 31 December	396,601	348,935

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

	WACC %	31.12.2013	31.12.2012
Americas	8.7 / 7.4	225,717	225,624
EMEA	8.9 / 7.6	167,976	120,162
Asia	9.1 / 7.8	2,907	3,149
		396,601	348,935

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 2014 approved by management and the Board of Directors. The discount rate of 8.7 - 9.1% (2012: 7.4 - 7.8%) 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 2018 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 15.4 million (2012: 14.7 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 reclass from goodwill.

14. OTHER INTANGIBLE ASSETS

2013	CUST./DISTRIB. RELATIONSHIPS	PATENTS	TRADEMARKS	SOFTWARE AND OTHER	TOTAL
COST					
At 1 January 2013	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 2013	36,408	4,287	16,640	24,315	81,650
AMORTIZATION					
At 1 January 2013	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 2013	18,481	2,190	767	12,341	33,779
Carrying amount at 31 December 2013	17,927	2,097	15,873	11,974	47,871

All amounts in thousands of USD

2012	CUST./DISTRIB. RELATIONSHIPS	PATENTS	TRADEMARKS	SOFTWARE AND OTHER	TOTAL
COST					
At 1 January 2012	23,403	10,892	15,438	13,739	63,472
Additions	324	72	0	2,072	2,468
Additions - internally generated	0	0	0	3,814	3,814
Acquired on acquisition of subsidiary	0	165	0	0	165
Fully depreciated assets	0	(6,360)	0	(1,749)	(8,109)
Exchange rate differences	338	37	388	75	838
At 31 December 2012	24,065	4,806	15,826	17,951	62,648
AMORTIZATION					
At 1 January 2012	12,394	10,172	593	10,392	33,551
Charge for the period	2,387	256	0	972	3,615
Fully depreciated assets	0	(6,360)	0	(1,749)	(8,109)
Exchange rate differences	230	72	115	38	455
At 31 December 2012	15,011	4,140	708	9,653	29,512
Carrying amount at 31 December 2012	9,054	666	15,118	8,298	33,136

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

	2013	2012
Cost of goods sold	554	47
Sales and marketing expenses	3,555	2,498
Research and development expenses	214	336
General and administrative expenses	1,382	734
	5,705	3,615

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	3 - 10 years

The Gibaud trademarks amounting to USD 15.4 million (2012: 14.7 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.

All amounts in thousands of USD

15. THE CONSOLIDATION

The Consolidation is split into three geographical segments, Americas, EMEA and Asia.
The main operation is carried out in the following companies:

NAME OF SUBSIDIARY	PLACE OF REGISTRATION AND OPERATION	OWNERSHIP %	PRINCIPAL ACTIVITY
AMERICAS			
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
EMEA			
Össur Europe BV	Netherlands	100%	Sales, distribution and services
Gibaud SAS	France	100%	Manufacturer, sales, 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
ASIA			
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.

16. OTHER FINANCIAL ASSETS

	31.12.2013	31.12.2012
Investment in associates	2,493	4,144
Restricted cash	1,617	1,180
Loans and receivables	1,376	1,500
	5,486	6,824

INVESTMENTS IN ASSOCIATES

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

	2013	2012
At 1 January	4,145	2,986
Additions due to acquisitions	0	1,050
Share in net profit (net of dividend received)	(1,196)	108
Sold associates	(456)	0
At 31 December	2,493	4,144

17. INVENTORIES

	31.12.2013	31.12.2012
Raw material	14,787	14,275
Work in progress	5,347	2,632
Finished goods	46,691	39,850
	66,825	56,757

Inventories of 3.3 million (2012: 2.8 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 10.1 million (2012: 10.7 million) were eliminated. This has an effect on the income tax expense of the consolidated companies, and an adjustment of 3.2 million (2012: 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 1.6 million (2012: 2.1 million) in respect of write-downs of inventory to net realizable value. Reserve for obsolete inventories at year end is 5.4 million compared to 4.9 million in 2012.

18. ACCOUNTS RECEIVABLES

	31.12.2013	31.12.2012
Nominal value	74,113	55,612
Allowances for doubtful accounts	(1,934)	(1,886)
Allowances for sales return	(940)	(1,060)
	71,239	52,666

The average credit period on sales of goods is 44 days (2012: 40 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

	31.12.2013	31.12.2012
Less than three months	66,827	49,963
Three to six months	4,223	3,300
Six to nine months	663	589
Older than nine months	2,400	1,760
	74,113	55,612

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

	2013	2012
At 1 January	(1,886)	(1,419)
Impairment (losses)/gains recognized on receivables	(1,031)	(712)
Amounts written off as uncollectible	1,021	266
Exchange rate difference	(38)	(21)
At 31 December	(1,934)	(1,886)

All amounts in thousands of USD

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 6.8 million (2012: 4.6 million) with more than 30 days past due of which 4.9 million (2012: 2.6 million) is considered recoverable.

19. OTHER ASSETS

	31.12.2013	31.12.2012
VAT refundable	3,603	2,398
Prepaid expenses	7,799	4,583
Taxes receivable	427	319
Other	2,109	1,613
	13,938	8,913

20. BANK BALANCES AND CASH

	31.12.2013	31.12.2012
Bank accounts	38,853	19,123
Bankers draft received	2,856	2,738
Cash and other cash equivalents	60	17
	41,769	21,878

21. ISSUED CAPITAL

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

	SHARES	NOMINAL VALUE
Total share capital	453,750	5,068
Treasury shares	(2,243)	(20)
	451,507	5,048

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 2012 / 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

22. SHARE OPTION CONTRACTS AND OBLIGATIONS TO INCREASE SHARE CAPITAL

22.1 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 42.3% and the annual discount rate range from 0.3% to 1.9%. 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.

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

	NUMBER OF SHARES	GRANT/ISSUE YEAR	EXERCISE YEAR	EXERCISE PRICE (IN DKK)	FAIR VALUE AT GRANT DATE (IN DKK)
Issued to Executive Management:					
Jón Sigurðsson President and CEO	1,250,000	2012	2015	8.6	8.8
Sveinn Sölvason CFO	600,000	2009 / 2013	2014 / 2016	5.3 / 7.8	5.3 / 7.4
Egill Jónsson EVP of M&O	500,000	2012	2015	8.6	8.8
Þorvaldur Ingvarsson EVP of R&D	500,000	2012	2015	8.6	8.8
Ólafur Gylfason EVP of S&M	500,000	2012	2015	8.6	8.8
Jos Van Poorten MD of EMEA	300,000	2012 / 2013	2015 / 2016	7.9 / 8.7	7.9 / 8.8
Margrét Friðriksdóttir EVP HR & Strategy	100,000	2009	2014	5.3	5.32
	3,750,000				
Issued to Management team:					
One manager	100,000	2009	2014	5.3	5.3
One manager	100,000	2011	2014	8.7	8.7
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
	2,600,000				
Total issued option contracts	6,350,000				

All amounts in thousands of USD

22.2 MOVEMENTS IN SHARE OPTIONS DURING THE PERIOD

The following reconciles the share options outstanding at the beginning and end of the period:

	2013		2012	
	NUMBER OF SHARES	WEIGHTED AVERAGE CONTRACT RATE (IN DKK)	NUMBER OF SHARES	WEIGHTED AVERAGE CONTRACT RATE (IN DKK)
Outstanding at beginning of period	6,750,000	8.3	3,300,000	6.6
Granted during period	1,400,000	7.8	5,850,000	8.6
Forfeited during period	(1,600,000)	8.4	(100,000)	10.7
Exercised during period	(200,000)	4.4	(2,300,000)	6.5
Outstanding at end of period	6,350,000	8.3	6,750,000	8.3

22.3 SHARE OPTIONS EXERCISED DURING THE PERIOD

The following share options were exercised during the period:

	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (IN DKK)
Issued to Management team	200,000	1.4.2013	8.3

22.4 COSTS DUE TO SHARE OPTIONS

Estimated remaining cost due to the share option contracts is 1.1 million (2012: 1.8 million). An expense of 0.5 million (2012: 0.9 million) is recognized in the Income Statement for the period.

23. BORROWINGS

	31.12.2013		31.12.2012	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Loans in USD	12,881	35,677	12,866	44,791
Loans in EUR	6,594	12,522	6,527	21,850
Revolver in USD	0	8,500	0	11,500
Revolver in EUR	0	71,926	0	4,616
Other borrowings	523	931	961	985
	19,998	129,556	20,354	83,742

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

Aggregated maturities of borrowings are as follows:

	31.12.2013	31.12.2012
In 2014 / 2013	19,998	20,354
In 2015 / 2014	20,338	20,498
In 2016 / 2015	109,218	19,544
In 2017 / 2016	0	43,700
	149,554	104,096

24. OTHER FINANCIAL LIABILITIES

At balance sheet date, two interest rate swap agreements are effective, with a negative value of 1.2 million (2012 2.2 million).

25. DEFERRED TAX ASSET / (LIABILITY)

	31.12.2013	31.12.2012
At beginning of period	8,878	15,941
Income tax payable for the period	9,370	6,120
Calculated tax for the period	(14,335)	(13,115)
Arising on acquisition of a subsidiary	(2,561)	0
Recognized directly through equity	(82)	(44)
Exchange rate differences	(228)	(24)
	1,042	8,878
Deferred tax in the balance sheet:		
Deferred tax asset	22,159	26,565
Deferred tax liabilities	(21,117)	(17,687)
	1,042	8,878

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

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

31.12.2012	ASSETS	LIABILITIES	NET
Goodwill	22,400	(12,132)	10,268
Intangible assets	784	(5,471)	(4,687)
Operating fixed assets	217	(1,106)	(889)
Tax loss carry forward	688	0	688
Inventories	1,743	0	1,743
Provisions	0	(598)	(598)
Current liabilities	2,473	(350)	2,123
Receivables	329	(1,073)	(744)
Other	1,070	(96)	974
Total tax assets / (liabilities)	29,704	(20,826)	8,878
Tax asset and liabilities offsetting	(3,139)	3,139	0
	26,565	(17,687)	8,878

26. PROVISIONS

	31.12.2013		31.12.2012	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Warranty (i)	2,511	4,503	2,589	4,591
Other	1,980	248	2,173	247
	4,491	4,751	4,762	4,838

(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 2012	7,025	1,102	8,127
Additional provision recognized	3,091	1,859	4,950
Utilization of provision	(2,936)	(556)	(3,492)
Exchange differences	0	15	15
At 31 December 2012	7,180	2,420	9,600
Additional provision recognized	2,971	3,008	5,979
Utilization of provision	(3,137)	(3,239)	(6,376)
Exchange differences	0	39	39
Balance at 31 December 2013	7,014	2,228	9,242
Non-current	4,503	248	4,751
Current	2,511	1,980	4,491
Balance at 31 December 2013	7,014	2,228	9,242

27. RELATED PARTY TRANSACTIONS

The Company had no material transactions with related parties during the period.

28. OTHER LIABILITIES

	31.12.2013	31.12.2012
Accrued expenses	11,101	7,327
Accrued royalties	967	1,052
Sales tax and VAT	6,120	2,110
Payable due to previous acquisition	2,324	2,324
Other	3,159	2,301
	23,671	15,114

29. FINANCIAL INSTRUMENTS

29.1 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 2012.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the 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:

	31.12.2013	31.12.2012
Net debt	107,785	82,218
EBITDA	75,473	69,956
Net debt/EBITDA	1.4	1.2

29.2 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 3 to the Consolidated Financial Statements.

29.3 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.

29.4 FOREIGN CURRENCY RISK MANAGEMENT

The Company operates on a global market, hence exposure to exchange rate fluctuations arise. 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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
EUR	112,123	49,091	46,973	29,972
USD	81,642	96,981	44,891	45,588
SEK	12,971	2,448	13,659	2,510
GBP	2,011	1,861	5,568	3,921
Other	19,106	5,761	21,341	8,290
	227,852	156,142	132,432	90,281

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)	
	2013	2012	2013	2012
Profit or loss	2,524	2,163	(2,486)	(2,446)
Other equity	9,487	12,734	(256)	(146)

(i) 24% (2012: 25%) of the Company's operating cost is in EUR against 28% (2012: 29%) of its income causing an increase in profit if the USD decreases against the EUR.

(ii) 9% (2012: 10%) of the Company's operating cost is in ISK against 0.4% (2012: 0.4%) of its income causing a decrease in profits if the USD decreases against the ISK.

29.5 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 40 million (2012: USD 61 million). At year end the fair value of the swaps amounted to negative USD 1.2 million (2012: negative USD 2.2 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.

All amounts in thousands of USD

29.6 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 32.5 million (2012: USD 95.6 million) to further reduce liquidity risk.

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
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
2012					
Borrowings	5.1%	26,396	93,698	0	120,094
Non-interest bearing liabilities	-	49,648	19,187	0	68,835
		76,044	112,885	0	188,929

29.7 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.

29.8 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.

	31.12.2013		31.12.2012	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial liabilities:				
Borrowings	149,554	150,753	104,096	106,163

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

30. ACQUISITIONS

In 2013 the Company finalized one major and two minor acquisitions. At October 1st Össur acquired 100% of the shares of TeamOlmed, a leading Swedish orthotic and prosthetic (O&P) provider. Össur has a long standing business relationship with TeamOlmed. With the acquisition, Össur gains a significant share of the Swedish O&P market. Össur and TeamOlmed together will be a strong partner for county councils, prescribers and patients offering innovative, cost effective and clinically proven solutions in Sweden. The transactions are accounted for by the purchase method of accounting.

NET ASSETS ACQUIRED:	TEAMOLMED	OTHER	TOTAL
Operating fixed assets	972	715	1,687
Customer relationship	8,769	2,486	11,255
Other intangible assets	718	625	1,343
Inventories	5,993	4,049	10,042
Other current assets	9,992	8,248	18,240
Bank balances and cash	1,460	1,243	2,703
Deferred tax liability	(2,418)	(143)	(2,561)
Current liabilities	(10,218)	(5,303)	(15,521)
	15,268	11,920	27,188
No controlling interest	0	463	463
Goodwill	36,235	7,238	43,473
Total consideration	51,503	19,621	71,124
Consideration transferred:			
Cash consideration	51,503	15,438	66,941
Satisfied by share	0	4,183	4,183
	51,503	19,621	71,124
Net cash outflow arising on acquisition:			
Cash consideration	51,503	15,438	66,941
Bank balances and cash acquired	(1,460)	(1,243)	(2,703)
	50,043	14,195	64,238

Össur is required to pay additional payments of up to SEK 30 million (USD 5 million) depend on TeamOlmed meeting certain conditions in 2014. A preliminary purchase price allocation has been performed where the necessary market valuations and other calculations have been provisionally determined based on management best estimate. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the sales for the year are USD 26 million attributable to the three acquisitions and the EBITDA for the year includes USD 4 million in respect of the three acquisitions. Had all three acquisitions been effected at 1 January 2013, the Consolidated revenue from continuing operations would have been 489 million, and the EBITDA from continuing operations would have been 79 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.

31. OPERATING LEASE ARRANGEMENTS

Payments recognized as an expense:

	2013	2012
Minimum lease payments	14,286	11,700

NON-CANCELLABLE OPERATING LEASE COMMITMENTS	31.12.2013	31.12.2012
No longer than 1 year	15,908	11,308
Longer than 1 year and no longer than 5 years	33,668	34,541
Longer than 5 years	2,510	2,286
	52,086	48,135

Operating lease payments represent rentals payable by the Company for certain of its office properties and cars. Ninety three rental agreements are in place in multiple countries. The leases expire in the periods 2014-2026.

32. LITIGATION

All amounts in thousands of USD

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

33. INSURANCE

	31.12.2013		31.12.2012	
	INSURANCE VALUE	BOOK VALUE	INSURANCE VALUE	BOOK VALUE
Fixed assets and inventories	210,000	112,070	213,000	97,131

The Company has purchased a business interruption insurance intended to compensate for temporary breakdown of operations. The insurance amount is 334 million (2012: 413 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.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the board of directors and authorized for issue on 5 February 2014.

A. UNREVIEWED INFORMATION

The following information is not audited as it relates to quarterly information and the company only requires an audit for the full year.

A1. QUARTERLY STATEMENTS

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	TOTAL 2013
Net sales	128,472	104,738	105,963	97,101	436,274
Cost of goods sold	(48,583)	(39,349)	(41,348)	(37,056)	(166,336)
Gross profit	79,889	65,389	64,615	60,045	269,938
Gross profit margin	62%	62%	61%	62%	62%
Other income	24	96	58	185	363
Sales and marketing expenses	(42,501)	(30,967)	(33,802)	(31,810)	(139,080)
Research and development expenses	(5,493)	(4,813)	(5,296)	(5,935)	(21,537)
General and administrative expenses	(12,242)	(11,147)	(13,657)	(12,431)	(49,477)
Profit from operations	19,677	18,558	11,918	10,054	60,207
Net financial income /expenses	(1,233)	(1,061)	(997)	(1,111)	(4,402)
Net exchange rate difference	640	810	347	(1,116)	681
Total financial income/(expenses)	(593)	(251)	(650)	(2,227)	(3,721)
Share in net profit in associated companies	14	(1,269)	(14)	72	(1,197)
Profit before tax	19,098	17,038	11,254	7,899	55,289
Income tax	(4,968)	(4,357)	(2,889)	(2,121)	(14,335)
Net profit	14,130	12,681	8,365	5,778	40,954
EBITDA	24,352	22,295	15,301	13,523	75,471
EBITDA ratio	19%	21%	14%	14%	17%
EBITDA adjusted	24.352	22.295	20.265	13.523	80.435
EBITDA ratio	19%	21%	19%	14%	18%

All amounts in thousands of USD

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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