

Ottobock SE & Co. KGaA

Duderstadt

Consolidated Financial Statements

for the year ended 31 December 2022

## Consolidated statements of profit or loss

for the year ended 31 December 2022

		2022	2021
	Notes	€000	€000
<b>Revenue</b>	7	<b>1.334.194</b>	<b>1.187.508</b>
Cost of sales		-737.429	-637.362
<b>Gross profit</b>		<b>596.765</b>	<b>550.146</b>
Other income	8.1	88.902	40.036
Selling and distribution expenses		-305.564	-267.313
Research and development expenses		-85.461	-82.716
Administrative expenses		-188.056	-159.912
Other expenses	8.2	-30.706	-32.132
<b>Operating profit</b>		<b>75.880</b>	<b>48.109</b>
Financial income	8.3	50.780	9.705
Financial expense	8.3	-31.329	-39.593
Other financial result	8.3	-965	6.886
<b>Financial result</b>		<b>18.486</b>	<b>-23.002</b>
<b>Profit before tax</b>		<b>94.366</b>	<b>25.107</b>
Income tax expense	9	-19.034	-5.477
<b>Profit for the year</b>		<b>75.332</b>	<b>19.630</b>
<b>Attributable to</b>			
Equity holders of the parent		76.436	20.102
Non-controlling interests		-1.104	-472
		<b>75.332</b>	<b>19.630</b>
<b>Earnings per share</b>			
	19		
Basic earnings per share attributable to the equity holders of the parent		€ 13,96	€ 3,67
Diluted earnings per share attributable to the equity holders of the parent		€ 13,96	€ 3,67

# Consolidated statements of other comprehensive income

for the year ended 31 December 2022

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	€000	€000
<b>Profit for the year</b>		<b>75.332</b>	<b>19.630</b>
<b>Other comprehensive income</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Cash flow hedge reserve	24.3	2.505	-
Exchange differences on translation of foreign operations		24.224	23.648
<b>Net other comprehensive income/loss that may be reclassified to profit or loss in subsequent periods</b>		<b>26.729</b>	<b>23.648</b>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Remeasurement gain/(loss) on defined benefit plans	22	3.437	1.102
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>		<b>3.437</b>	<b>1.102</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>30.166</b>	<b>24.750</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>105.498</b>	<b>44.380</b>
<b>Attributable to:</b>			
Equity holders of the parent		106.245	44.544
Non-controlling interests		-747	-164
		<b>105.498</b>	<b>44.380</b>

# Consolidated statements of financial position

For the year ended 31 December 2022

		2022	2021
	Notes	€000	€000
<b>Non-current assets</b>			
Property, plant and equipment	10	252.450	225.169
Intangible assets	12,13	808.822	686.187
Right-of-use assets	11	225.125	188.237
Derivatives	24	24.612	35
Other non-current financial assets	24	6.113	6.277
Other non-current assets		1.378	-
Deferred tax assets	9	67.457	60.608
		<b>1.385.957</b>	<b>1.166.513</b>
<b>Current assets</b>			
Inventories	14	213.313	166.710
Trade receivables and other assets	15	200.679	180.254
Derivatives	24	3.686	2.553
Other current financial assets	24	6.872	9.682
Cash and short-term deposits	16	79.152	67.583
Other current assets	15	44.351	39.284
Income tax assets	9	21.023	17.140
		<b>569.076</b>	<b>483.206</b>
<b>Total assets</b>		<b>1.955.033</b>	<b>1.649.719</b>

For the year ended 31 December 2022

	Notes	2022 €000	2021 €000
<b>Equity and liabilities</b>			
<b>Equity</b>			
Subscribed capital	17	5.475	5.475
Share premium	17	108.735	108.735
Retained earnings	17	102.943	41.980
Other components of equity	17	9.061	-20.747
<b>Equity attributable to equity holders of the parent</b>	17	<b>226.214</b>	<b>135.443</b>
Non-controlling interests	17	10.891	11.904
<b>Total equity</b>		<b>237.105</b>	<b>147.347</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	24	936.319	663.623
Lease liabilities	24	193.522	159.524
Derivatives	24	1.035	24.702
Other non-current financial liabilities	24	36.382	35.154
Provisions	20	9.715	18.866
Contract liabilities	7	30.039	27.628
Net employee defined benefit liabilities	22	15.400	20.263
Other non-current liabilities	21	17.684	11.664
Deferred tax liabilities	9	51.664	40.910
		<b>1.291.760</b>	<b>1.002.335</b>
<b>Current liabilities</b>			
Income tax payable	9	5.480	2.548
Interest bearing loans and borrowings	24	23.738	99.635
Lease liabilities	24	37.546	34.354
Derivatives	24	14.650	15.225
Other current financial liabilities	24	23.839	26.278
Provisions	20	38.872	60.813
Contract liabilities	7	26.105	23.392
Trade and other payables	23	92.613	94.199
Payables from reverse factoring	24	69.745	52.737
Other current liabilities	21	93.580	90.856
		<b>426.168</b>	<b>500.037</b>
<b>Total liabilities</b>		<b>1.717.928</b>	<b>1.502.372</b>
<b>Total equity and liabilities</b>		<b>1.955.033</b>	<b>1.649.719</b>

# Consolidated statements of changes in equity

for the year ended 31 December 2022

	Other components of equity						Total	Non-controlling interest	Total equity
	Subscribed capital (Note 17)	Share premium (Note 17)	Retained earnings	Accumulated actuarial gains and losses on defined benefit pension plans (Note 22)	Cash flow hedge reserve (Note 24)	Accumulated translation gains and losses			
	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>At 1 January 2021</b>	<b>5.475</b>	<b>108.735</b>	<b>36.867</b>	<b>-2.612</b>		<b>-42.566</b>	<b>105.899</b>	<b>10.922</b>	<b>116.821</b>
Profit for the period	-	-	20.102	-		-	20.102	-472	19.630
Other comprehensive income	-	-	-	1.102		23.340	24.442	308	24.750
Total comprehensive income	-	-	20.102	1.102		23.340	44.544	-164	44.380
Cash dividends (Note 18)	-	-	-15.000	-		-	-15.000	-445	-15.445
Acquisition of a subsidiary with non-controlling interest (Note 6)	-	-	-	-		-	-	-	-
Capital increase and other	-	-	11	-		-11	-	1.591	1.591
<b>At 31 December 2021 / At 1 January 2022</b>	<b>5.475</b>	<b>108.735</b>	<b>41.980</b>	<b>-1.510</b>	<b>-</b>	<b>-19.237</b>	<b>135.443</b>	<b>11.904</b>	<b>147.347</b>
Profit for the period	-	-	76.436	-	-	-	76.436	-1.104	75.332
Other comprehensive income	-	-	-	3.437	2.505	23.867	29.809	357	30.166
Total comprehensive income	-	-	76.436	3.437	2.505	23.867	106.245	-747	105.498
Cash dividends (Note 18)	-	-	-15.000	-	-	-	-15.000	-152	-15.152
Acquisition of a subsidiary with non-controlling interest (Note 6)	-	-	-	-	-	-	-	-	-
Capital increase and other	-	-	-474	-	-	-	-474	-114	-588
<b>At 31 December 2022</b>	<b>5.475</b>	<b>108.735</b>	<b>102.943</b>	<b>1.927</b>	<b>2.505</b>	<b>4.630</b>	<b>226.214</b>	<b>10.891</b>	<b>237.105</b>

## Consolidated statements of cash flows

for the year ended 31 December 2022

		2022	2021
	Notes		€000
Profit before tax		94.366	25.107
Financial result		-18.486	23.002
Depreciation, amortization and impairment		120.473	114.013
Results from disposals of non-current assets		53	113
Changes long-term incentive plan		-20.639	45.563
Other non-cash expenses/ income		10.542	15.510
Change in inventories		-41.106	-6.573
Change in trade receivables		-18.523	-2.107
Change in other assets		-1.453	-10.027
Change in provisions		-15.038	-28.198
Change in trade payables		-4.657	-12.072
Change in other liabilities		3.408	62.729
Income tax paid		-11.730	-24.521
<b>Net Cash provided by operating activities</b>		<b>97.211</b>	<b>202.539</b>
Purchase of tangible and intangible assets		-113.521	-103.879
Proceed from sale of fixed assets		4.992	8.448
<b>Free cash flow</b>		<b>-11.318</b>	<b>107.108</b>
Acquisition of subsidiaries (net of cash acquired)	6	-95.573	-87.046
Interest received	8	-	648
<b>Cash flows from investing activities</b>		<b>-204.102</b>	<b>-181.829</b>
Proceeds from non-current borrowings	24.3	340.000	326.000
Repayment of non-current borrowings	24.3	-146.000	-287.000
Repayment of lease liabilities	24.3	-38.623	-37.034
Change in current bank overdrafts	24.3	103	6.127
Repayment of acquired borrowings		-	-
Payment of dividends		-15.031	-15.445
Payment for purchase of non-controlling interests		-706	-
Interest paid		-24.205	-25.666
Other financing activities		2.922	425
<b>Cash flows from financing activities</b>		<b>118.460</b>	<b>-32.593</b>
<b>Net change in cash</b>		<b>11.569</b>	<b>-11.883</b>
Cash and cash equivalents at the beginning of period		67.583	77.341
Change in cash and cash equivalents from transactions		11.569	-11.884
Effects of exchange rate changes		-	2.125
<b>Cash and cash equivalents at end of period</b>		<b>79.152</b>	<b>67.583</b>

# 1 Corporate information

The consolidated financial statements of Ottobock SE & Co. KGaA and its subsidiaries (collectively, the Group or Ottobock) for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Executive Board on 2 May, 2023. Ottobock SE & Co. KGaA (the Company) is a company incorporated and domiciled in Germany whose shares are privately owned. The registered office is located at Max-Näder-Straße 15, 37115 Duderstadt (Germany).

The Group is principally engaged in healthcare business in the fields of health care products and services (see Note 4). Information on the Group's ultimate parent and information on other related party relationships of the Group is provided in Note 28.

## 2 Significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The financial statements were prepared on a voluntary basis as Ottobock SE & Co. KGaA is included in the consolidated financial statements of Näder Holding.

These financial statements for the year ended 31 December 2022 are prepared in accordance with IFRS as endorsed by the EU.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments (interest/FX derivatives) and equity instruments in non-consolidated entities which have been measured at fair value through profit or loss in accordance with IFRS 9 and share based payment agreements measured at fair value in accordance with IFRS 2. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of and for the year ended 31 December 2022 with comparatives presented as of and for the year ended 31 December 2021 (see Note 5).

Control according to IFRS 10 is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.



When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

## **2.3 Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

### **2.3.1 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Option agreements concluded in the context of a business combination to acquire minority interests and which create an unconditional obligation for Ottobock to acquire these shares are accounted for using the anticipated acquisition method. At the date of the business combination, these shares are deemed to be acquired and are included in the cost of the acquisition at fair value; a corresponding financial liability is recognised. Subsequent changes in the value of the financial liability are recognised in profit or loss in accordance with IFRS 9.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill

disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### **2.3.2 Fair value measurement**

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels 1 to 3 in the previous financial year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 24.1 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (see Notes 6 and 24 for details).

Fair value related disclosures for financial instruments or where fair values are disclosed, are summarised in the following notes:

- Financial instruments: Note 24
- Quantitative disclosures of fair value measurement hierarchy: Note 24.1

### **2.3.3 Revenue from contracts with customers**

The Group sells healthcare products and corresponding services basically through wholesalers and patient care entities. Revenue from sale of healthcare products such as prosthetic and orthotic products, human mobility products as well as industrial exoskeletons is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Due to the global activities, there are no uniform payment terms because of different terms and conditions that apply in significant jurisdictions, associated national health systems and tender processes.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. service-type warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

#### *Warranty obligations*

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section Note 20 Provisions.

For premium prosthetic products the Group also provides a warranty that goes beyond fixing defects that existed at the time of sale. These service-type warranties are sold regularly bundled together with the sale of premium healthcare products. Therefore, contracts for bundled sales of a premium healthcare product and a service-type warranty comprise two performance obligations. For those bundled packages, the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of all performance obligations of the contract. The portion of the transaction price that is allocated to the service-type warranty is recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the expected cost incurred.

Service-type warranties include service inspections. Service inspections are mandatory in order to maintain the warranty. As the service inspections are highly interrelated with the underlying service-type warranty, the service inspection is not distinct and accounted for together with the service-type warranty.

#### *Accounting judgements and estimates*

Stand-alone selling prices are determined through an expected cost-plus margin approach - both for premium healthcare products and related service-type warranties, since observable market prices are not readily determinable. The stand-alone selling prices for premium healthcare products as well as related service-type warranties are determined based on average production costs, adjusted by product-related overhead costs and an adequate expected margin differentiated by type of performance obligation.

Variable considerations resulting from bonus agreements with customers are determined by a probability estimation for contractually set sales targets within a bonus period considering actual and estimated future sales based on historical, current and forecast data. The volume discounts are granted to the customer as a refund payment in cash or as a discount for future orders. Therefore, variable considerations are recognized as a sales deduction and financial liability.

#### *Determining the timing of satisfaction of services*

The Group determined that the input-oriented method is the best method in measuring progress of the services carried out towards the customer. Using this method revenue is recognised based on the costs incurred in relation to the expected total costs.

#### *Contract balances*

##### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs services under the contract.

### 2.3.4 Foreign currencies

The Group's consolidated financial statements are presented in Euros. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are part of the Group's net investment in a foreign operation. These are recognised in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

#### *Hyperinflation*

Since 2018, Argentina's economy has been classified as hyperinflationary in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". In 2022 Turkey's economy proved to be hyperinflationary. Accordingly, business activities in Argentina and Turkey are no longer disclosed at historical cost but are presented adjusted for inflation. For this purpose, Ottobock uses the consumer price indexes IPC (Índice de precios al consumidor, Argentina) and CPI (Tüketici fiyat endeksi rakamları, Turkey). The indexes applied as of the balance sheet date amounted to:

Country	Index as of 31 Dec. 2022	Index as of 31 December 2021 / 1 Jan 2022
Argentina	1.147,27	580,00
Turkey	1.128,45	686,95

Revenues and expenses are restated using monthly inflation rates and therefore reflect both weighings and the non-linear development of the respective inflation.

The loss on the net monetary position is reported within the other financial result (see Note 8.3). After adjusting the figures for inflation, the balance sheet items and income and expenses are translated into the reporting currency, the Euro, at the closing rate in accordance with IAS 21.42.

#### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into Euros at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at average exchange rates for the period in accordance with the practical expedient provided by IAS 21.40. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign

operation, the component of OCI relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### **2.3.5 Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

### **2.3.6 Taxes**

#### *Income tax*

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. The Group has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and are recognised as general and administrative expense or financial income.

Uncertain tax treatments are accounted for under IFRIC 23. Hence, if there is uncertainty about an income tax treatment, the Group considers whether it is probable that a tax authority will accept the tax treatment included or planned to be included in the tax filings. The probability resulting from the assessment determines whether the uncertainty has to be reflected in the measurement.

#### *Current income tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends and withholding taxes.

Current tax assets and liabilities are offset only if the criteria are met.

#### *Deferred tax*

Deferred tax is recognised in respect of using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit is available against which the deductible temporary difference can be utilised, unless the deferred tax arises from the initial recognition of an asset or a liability in a transaction that is not a business combination, at the time of the transaction affects neither accounting profit nor taxable profit (tax loss); and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. However, for deductible temporary difference associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, a deferred tax is recognised to the extent that, and only to the extent that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements except to the extent that the following two conditions are both satisfied: The parent, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full,

then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

For the temporary differences associated with investments in the Group's subsidiaries, associate and joint venture a deferred tax liability has not been recognised in the periods presented. The Group has determined that the undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future.

Deferred tax assets and liabilities are offset only if the criteria are met.

### **2.3.7 Property, plant and equipment**

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at cost less accumulated depreciation on buildings, and impairment losses are recognised at the date of revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Land rights and buildings 7-40 years
- Technical equipment and machines 10-25 years
- Factory and office equipment 3-15 years
- Other non-current tangible asset 3-8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **2.3.8 Leases**

At contract inception, the Group assesses whether the contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control an identified asset, the Group uses the guidance included in IFRS 16.

#### *The Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises the lease payments in connection with these leases as an expense on a straight-line basis over the lease term. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured upon initial recognition at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the

lease term and the estimated useful lives of the assets. The current leasing portfolio does not include any leased asset with a lease term that exceeds the economic useful life of the asset.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section impairment of non-financial assets (see Note 2.3.13).

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the purchase option price reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in current and non-current financial liabilities (see Note 24.3).

#### *The Group as a lessor*

If Ottobock acts as the lessor, it classifies each lease upon contract inception as either a finance lease or an operating lease. For the purposes of classifying each lease, Ottobock has made an overall assessment whether the lease transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. In making this assessment, Ottobock takes into account certain indicators such as whether the lease comprises the major part of the economic useful life of the asset.

Ottobock acts as the lessor within the context of wheelchair leasing to the nursing homes and hospitals in Belgium. The lease agreements represent operating leases and the underlying lease agreements are recognized by the Group over the lease term as income in revenue. Further, Ottobock acts as a lessor for prostheses in the Netherlands whereby complex prostheses are accounted for as operating leases while prostheses without a current reuse pattern are accounted for as finance leases.

### **2.3.9 Borrowing costs**

Borrowing costs directly attributable to the development activities, acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. The Group considered a substantial period to be more than twelve months. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing Costs are only capitalised for intangible assets

With regard to the capitalisation of borrowing costs, Ottobock made use of the initial application exemption and did not apply IAS 23 retrospectively. Instead, capitalisation is only done for borrowing costs incurred on or after the date of transition to IFRS (1 January 2019) for all eligible qualifying assets.

### **2.3.10 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are capitalized if the criteria for capitalization in accordance with IAS 38 are met.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of

consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### *Research and development costs*

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Development cost also include borrowing costs for long-term development projects if the recognition criteria are met. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

#### *Patents and licences*

Separately acquired intangible assets are capitalised at cost and amortised over their useful lives. Separately acquired intangible assets consist mostly of licenses and concessions with a limited useful life, usually no longer than five years. Ottobock does not have separately acquired intangible assets that meet the criteria of qualifying assets.

A summary of the policies applied to the Group's intangible assets is as follows:



	Develop- ment costs	Licences	Patents	Patient or customer relation- ships	Techno- logies	Brands	Other intangible assets
<b>Useful lives</b>	Finite (3-15 years)	Finite (2-10 years)	Finite (5-25 years)	Finite (10 years)	Finite (10 years)	Finite (10 years)	Finite (2-15 years)
<b>Amorti- sation method used</b>	Amortised on a straight- line basis over the period of expected future sales from the related project	Amortised on a straight- line basis over the period of the licence	Amortised on a straight- line basis over the period of the patent	Amortised on a straight- line basis	Amortised on a straight- line basis	Amortised on a straight- line basis	Amortised on a straight-line basis
<b>Internally gene- rated or acquired</b>	Internally generated	Internally generated and acquired	Acquired	Acquired	Acquired	Acquired	Acquired

### 2.3.11 Financial instruments — initial recognition and subsequent measurement

#### i. Financial assets

The classification of a financial asset is made at the time it is initially recognised, namely when the entity becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value or in case of a financial asset not at fair value through profit or loss including transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.3.3 Revenue from contracts with customers.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI (debt instruments)
- Financial assets designated at fair value through OCI (equity instruments)
- Financial assets at fair value through profit or loss

In case of designated cash flow hedges, related derivatives' fair values are disclosed in a separate class (see Note 24.3).

In the 2022 financial year, as in the previous year, there were no reclassifications within the individual measurement categories.

### *Financial assets at amortised cost*

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets measured at amortised cost include trade and other receivables, loans to associates and loans to third parties included under other non-current financial assets and cash and cash equivalents.

### *Financial assets at fair value through OCI (debt instruments)*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

At year end of all relevant periods presented there were no debt instruments in place measured at FVOCI.

### *Financial assets designated at fair value through OCI (equity instruments)*

In the case of a financial asset that constitutes an equity instrument and is not held for trading, changes in the carrying amount are recognised in other comprehensive income if the fair value through OCI option is used. The Ottobock Group did not yet make use of this choice.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss (fair value option), or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Additionally, financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's financial assets measured at fair value through profit or loss includes financial derivatives - including separated embedded derivatives if relevant - unless they are designated as effective hedging instruments, equity investments which the Group had not irrevocably elected to classify at fair value through OCI as well as trade receivables related to a factoring program. The current factoring program qualifies for derecognition of related receivables. Given the short period from recognition of factoring related receivables and their transfer to the factoror, related quantified disclosures tend to be zero as of the reporting date. Ottobock does not currently intend to apply the fair value option.

### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

### *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of expected credit losses on receivables and other financial assets includes assessments and evaluations of individual receivables and groups of receivables which are based on the credit standing of the relevant customer, analysis of ageing structures and historical defaults as well as future economic conditions. In case of adjustments to receivables balances, a determination of whether credit losses or transaction price changes are applicable will be made based on the relevant facts and circumstances.

According to the general approach, expected credit losses (ECL) are recognised in three stages. Stage 1 refers to performing credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). Stage 2 refers to underperforming credit exposures for which a significant increase in credit risk has occurred compared to original expectations, whereas a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due. ECLs are provided for credit losses that result from default events that are possible within the expected lifetime. Stage 3 refers to nonperforming credit exposures whereas interest and/or principal repayments are 60 days past due or it becomes probable a debtor will enter bankruptcy. ECLs are provided for credit losses that result from default events that are possible within the expected lifetime. Financial assets under the general approach are written off, if interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.

For loans to third parties, other financial assets and cash and cash equivalents, the expected losses for the Group are of minor significance.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established an impairment model which is based on historical overdue as well as credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Credit risk Note 24.3
- Trade receivables Note 15

#### *ii. Financial liabilities*

The Group recognises a financial liability when, and only when, the Group becomes party to the contractual provisions of the instrument. The initial recognition of financial liabilities is carried out at fair value. In case of a primary financial liabilities - which are measured subsequently at amortised cost - the initial recognition is carried out at fair value, taking account of directly allocable transaction costs.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

In the financial year, as in the previous year, there were no reclassifications within the individual measurement categories.

### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. The Group has not designated any financial liability as at fair value through profit or loss.

An embedded derivative in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through

profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. In the financial year, as in the previous years, the group has no embedded derivatives that need to be bifurcated.

#### *Financial liabilities at amortised cost*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in financial expense in the statement of profit or loss.

The Group's financial liabilities measured at amortised cost include trade and other payables, bank liabilities, reverse factoring and other financial liabilities.

Further disclosures relating financial liabilities are also provided in the following notes:

- Trade and other payables Note 23
- Bank liabilities, Reverse Factoring and other financial liabilities Note 24.2.

#### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### *Reverse Factoring*

The liabilities related to reverse factoring transactions are recognized in accordance with IFRS 9.3.1.1. as soon as the service provider acquires a claim against Ottobock. These liabilities are reported separately on the balance sheet, as the original trade accounts payable have already been settled by the payment service provider, thereby creating a new liability for the payment service provider through the establishment of a new debt with Ottobock. Liabilities subject to the reverse factoring program are classified as financial liability in accordance with IFRS 9 and are reported as current and disclosed separately. The economic structure of the reverse factoring program is based on process efficiencies in operations and has therefore no financing function. The related payments are consequently part of the cash flow from operating activities

#### *iii. Derivative financial instruments and hedge accounting* *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value generally being recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as

Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

The Group designates certain derivatives as hedging instruments starting 2022 to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.

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

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, the hedge accounting is discontinued prospectively.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. Effectiveness is assessed using the Critical Terms Match-Method. For determining accounting (in-) effectiveness of the respective hedges the Dollar Offset-Method (cumulative change in fair value) is applied, thereby using the hypothetical derivative method for measuring the hedged item's change in fair value.

The Group uses interest rate swaps and floors as hedges of its exposure to variable interest rate risk in loans. The ineffective portion relating to interest derivatives – if any - is recognised as other finance expense. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Currently Ottobock designated cash flow hedges for selected interest rate derivatives with no initial fair value at the time of designation. No OCI-amounts are included in the cost of a non-financial item and all OCI amounts related to effective cash flow hedges are reclassified to profit or loss in the same period during which the hedged cash flows affect profit or loss.

### **2.3.12 Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: Purchase cost on a weighted average cost basis
- Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Work in progress for an item of (un-)finished goods accumulates as soon as a production order is created. The valuation of such items covers the related cost of material and the value-add of the production process (i.e., personnel costs) but no margin. Level of completion of the work order determines the value as a percentage of the sales price (net of margin) which is the basis for the work in progress value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. With the Range of Coverage (RoC) method the Group identifies the net realisable value of obsolete inventories based on an analysis of historical usage data. This method ensures an appropriate approximation that the carrying amounts of inventory assets do not exceed their net realisable values.

### 2.3.13 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Property, plant and equipment Note 10
- Intangible assets Note 12
- Goodwill and intangible assets with indefinite lives Note 13

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### 2.3.14 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, that are readily convertible to a known amount of cash, and which are subject to an insignificant risk of changes in value. Restricted cash items Ottobock may not freely use are presented within other financial assets. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### 2.3.15 Provisions

#### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any

reimbursement whereas the reversal of unused provision amounts is recognized in the related functional expense line

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### *Warranty provisions*

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

### **2.3.16 Share-Based Payments**

Under the terms of a share-based payment program operated by the Group, some key employees of the Group are granted Performance Share Units (PSUs) which are settled in cash (cash-settled transactions). These PSUs vest in accordance with service conditions and/or performance conditions. Performance conditions relate to the occurrence of certain exit events. A provision is recognised for the fair value of cash-settled transactions. The fair value is measured at initial recognition and at each reporting date and at the settlement date. Changes in fair value are recognised in profit or loss until the grants have vested and in full until the provision is settled. The related expense is recognised in related functional expense positions as employee benefit expenses. For details of the share-based payments refer to Note 27.

### **2.3.17 Pensions, anniversary awards and other post-employment benefits**

Ottobock operates defined benefit pension plans and anniversary awards. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to the respective equity reserve through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

### **2.3.18 Equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Associates are generally accounted for using the equity method, with exception of associates previously classified as held for sale.

Investments accounted for using the equity method are initially recognized at cost, which includes transaction costs. When applying the equity method, the cost of the investment is adjusted by Ottobock's share of the change in net assets. Shares in losses that exceed the carrying amount of the Group's equity interest in an entity accounted for using the equity method, taking into account any attributable long-term loans, are not recognised. Recognized goodwill is presented in the carrying amount of the investment accounted for using the equity method. Unrealized intercompany profits and losses from transactions with investments accounted for using the equity method are eliminated proportionately during consolidation if the underlying transactions are material.

In impairment testing, the carrying amount of an investments accounted for using the equity method is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, the difference is recognized as an impairment loss. If the reasons for a previously recognized impairment loss no longer exist, a corresponding reversal of the impairment loss is recognized through profit or loss.

The financial statements of investments accounted for using the equity method are generally prepared based on uniform accounting policies in the Group.

## **2.4 Changes in accounting policies and disclosures**

Derivative assets and liabilities are separately presented from 2022 on, noting increase volatility and the initial application of interest rate related hedge accounting. Prior year amounts are presented accordingly, thereby deducting the derivatives from non current and current other financial assets and other financial liabilities respectively.

### ***New and amended standards and interpretations***

#### ***Reference to the Conceptual Framework – Amendments to IFRS 3***

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The first time application did not have a material impact on the financial statements of Ottobock.

#### ***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a material impact on the Group.

#### ***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments did not have a material impact on the Group.

#### ***IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities***

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with



earlier adoption permitted.

The amendments did not have a material impact on the Group.

*Interest Rate Benchmark Reform (IBOR Reform): Amendments to IFRS 9, IAS 39, IFRS 7*

In case of the Interest Rate Benchmark Reform (IBOR Reform): Amendments to IFRS 9, IAS 39, IFRS 7 – beginning on or after 1 January 2020 – entities can continue to use hedge accounting and designate new hedge relationships despite the expected replacement of various interest rate benchmarks. The amendment did not have an effect on the consolidated financial statements, because hedge accounting mitigating interest rate risks is EURIBOR based.

### **3 Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 4
- Financial instruments risk management and policies Note 24.3
- Sensitivity analyses disclosures Notes 13, 22, 24.1 and 24.3.

*Covid-19, economic environment and war in Ukraine*

The outbreak of the Covid-19 coronavirus pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have not significantly impacted the Group. The Group saw a shift of revenues between the financial years 2020 and 2021 followed by further slow-down throughout 2022 especially due to continued massive restrictions in China. The Group considered multiple macro-economic challenges in preparing the financial statements and the application of accounting judgements, estimates and assumptions. Currently the economic environment is generally impacted by multiple, partly interdependent crises which increase uncertainties and risks: Namely, the most relevant ones are the Russian war against Ukraine, various global sanctions and trade restrictions, energy availability and prices, supply chain interruptions, increasing inflation rates / interest rates and foreign exchange rate volatility and trends, accompanied by climate risk related challenges and an expected recession in Europe.<sup>1</sup> This is accompanied by heightened risk for sophisticated cyber-attacks in many regions of the world including Europe and the US. Growing cybersecurity threats arising from rapid digitalization risks, lack of cybersecurity professionals and an ever-expanding attack surface are exposing the group to new and more intense cyber vulnerabilities. The group was subject to several cyber attacks in the past which were fended off. Cyber risks are being addressed by security vendor consolidation, continuous integration of affiliates and introducing 3rd party 24/7 monitoring. Ottobock figured in expected outcome of these developments in its judgments, estimates and assumptions which mainly affect future outlook and related plans and expectations underlying the impairment tests. Minor effects were observed on trade receivables and related allowances noting that health systems generally provide for stable payment patterns with limited change in risk which are, however, continuously monitored. In the current year currency exchange rate volatility and the "return of interest" affected profit or loss significantly especially as interest rate derivatives fair values at Ottobock increased significantly. Accordingly, Ottobock started to phase in hedge accounting in order to reduce p&l volatility in second half of 2022.

*Judgements*

*Revenue Recognition - Service-type warranties*

For service-type warranties stand-alone selling prices cannot be derived based on observable market prices. Therefore, the individual selling prices must be estimated and are determined on the basis of an expected cost plus a margin approach. The expected costs for the performance obligation underlying service-type warranties are calculated based on planned production cost adjusted by different mark ups.

*Warranty provision*

Warranty provision includes expected warranty costs for products sold with standard warranty (assurance-type warranty) and are recognized at the date of external sale of the relevant products. The

<sup>1</sup> See IDW, Entwicklung des wirtschaftlichen Umfelds und Auswirkungen auf Finanzberichte zum oder nach dem 30.09.2022, September 30, 2022, page 1; ESMA, Reports on Trends, Risks and Vulnerabilities, No2/2022.

warranty provision is measured at management's best estimate of the expenditure required to settle the obligation. To determine the expected value of the warranty provision the Group uses the following input parameters:

- Quantities sold in the last two years
- Complaint rates per product based on empirical data of the last two years
- Costs per complaint and product based on empirical data of the last two years

The estimated warranty provision as of 31 December 2020 and 31 December 2021 had been based on complaint rates and costs per complaint based on empirical data prior to the Covid-19 pandemic due to the high level of uncertainty in the macroeconomic environment. In 2022, there was a change in accounting estimates by using the empirical data of the last two years as of the reporting date. For details on provision amounts please see Note 20.

#### *Internally generated intangible assets*

In respect of internally generated intangible assets judgement, assumptions and estimates need to be applied by the Group regarding the recognition criteria set out within the respective accounting standard. The determination of a threshold to distinguish between research costs and developments costs requires management's judgement. The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions. This includes significant investment in the development of new healthcare products, licences and patents. Furthermore, the estimation of the useful lives for internally generated intangible assets to determine a depreciation period as well as the depreciation method includes Group management's judgement.

#### *Group as a lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group regularly reassesses the lease term and in case there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group runs contracts for land and buildings, automobiles and technical equipment, machines, and office equipment. Most of the lease contracts of the Group contain a lease term between three to fifteen years and some of them for more than twenty-five years. The Group typically leases automobiles for three to four years, technical equipment, machines and office equipment usually for up to five years and real estate leases with varying lease terms and different type of contractual options which may contain a contract period for more than twenty-five years. Some lease terms include extension and/or termination options exercisable by the Group only up to one year before the end of the non-cancellable contract period. If renewal or termination options are reasonably certain at lease commencement, the Group includes the renewal or termination period in the lease term.

#### *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared, excluding non-adjusting events which occurred after the balance sheet date (e.g. business combinations effected in 2023). Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### *Impairment of assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the

asset. If binding contracts are unavailable a discounted cash flow calculation is performed, respectively. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the post-tax discount rate used for the DCF model as well as the EBIT margin terminal value and the terminal value growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 13.

#### *Share-based payments*

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimation also requires determination of the most appropriate inputs to the valuation model. The assumptions and models used for estimating fair value for share-based payment transactions are market standard. The group considers factors that knowledgeable, willing market participants would consider in selecting the option pricing model and the relevant input parameter to apply.

Further information to share-based payments are disclosed in Note 27.

#### *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due trade receivables and allowances.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. In assessing the default exposure Ottobock takes into account collateral integral to the contract with the customer. Letters of credit in favour of Ottobock's Brazilian operations warranted for a significant decrease in default risks in 2021 leading to a dissolution of allowances of EUR 4.572 thousand. Where health insurers show a continuous pattern of slow payment with no/ low defaults, Ottobock applies country specific allowance rates also considering the effect of timing and interest compensation on the receivables value. The information about the ECLs on the Group's trade receivables- is disclosed in Note 24.3.

#### *Taxes*

Generally deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and the level of future taxable profits, together with future tax planning strategies.

The remaining unrecognised tax losses and interest carry forward relate to subsidiaries that have a history of losses, do expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward and interest carry forward.

Further details on taxes are disclosed in Note 9.

#### *Defined benefit plans*

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality by the actuary firm. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in Note 22.

#### *Business combinations*

Significant estimations and assumptions were made in the determination of the fair value of the consideration transferred (including contingent consideration) and fair value of the identified assets (especially patient relationships, brands and technologies) and liabilities assumed.

Further details about are provided in Note 6.

At acquisition date, contingent considerations were recognised at fair value and remeasured at reporting date. The fair values were determined using the discounted cashflow method (DCF).

## **4 Capital management**

The objectives of capital management are to maintain and strengthen the financial substance as well as to ensure the flexibility of the Ottobock Group. Particular attention is also paid to the sustainable structure of balance sheet liabilities, especially regarding the capital structure, maturity profiles and a selected group of investors.

Capital managed consists of a diversified mix of financing instruments like e. g. revolving credit facilities, promotional loans and promissory note bonds and amounts to committed gross debt facilities of € 1.030.million as of 31 December 2022 (31 December 2021: € 1.106 million).

Ottobock Group uses various key figures to monitor debt: A very important key figure is the ratio of net debt to EBITDA. The net debt to EBITDA ratio is a so-called financial covenant in our loan agreements with corresponding regulations. As of 31 December 2022, loan agreement amounting to € 760 million including financial covenants (31 December 2021: to € 760 million).

Other indicators monitored on an ongoing basis include, for example, the ratio of EBITDA to net interest expenses and the equity ratio.

The target values are in the investment grade range. In addition, the general growth strategy also deals with inorganic growth strategies, in the context of which a controlled increase in the level of debt can be used in the crossover area, followed by a phase of debt reduction. To achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. As of 31 December 2022, the net debt to EBITDA ratio is 4.68x (31 December 2021: 3.86x) and the maximum permitted net debt to EBITDA ratio is 4.78x (31 December 2021: 4.28x). Breaches in meeting the financial covenants would permit the banks to call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in 2022 or previous periods.

No changes were made in the objectives, policies or processes for managing capital.

## 5 Group information

The consolidated financial statements of the Group include:

<b>Consolidated entities/ subsidiaries</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
Otto Bock Australia Pty Ltd	Australia	100	100
Otto Bock Benelux B.V.	Netherlands	100	100
Otto Bock France SARL	France	100	100
Otto Bock Iberica S.A.	Spain	100	100
Otto Bock Italia Srl	Italy	100	100
Otto Bock Scandinavia AB	Sweden	100	100
Otto Bock HealthCare Limited Partnership	USA	100	100
Otto Bock HealthCare PLC	UK	100	100
Otto Bock Healthcare Products GmbH	Austria	100	100
OOO Otto Bock Service Moskau	Russia	100	100
Otto Bock do Brasil Tecnica Ortopedica LTDA	Brazil	100	100
Otto Bock Adria d.o.o.	Croatia	100	100
Otto Bock Suisse AG	Switzerland	100	100
Otto Bock - Orthopedic Technique LLC	Russia	100	100
Ottobock (China) Industries Co. Ltd	China	100	100
Industria Ortopedica Otto Bock Limitada	Portugal	100	100
Otto Bock South East Asia Co., Ltd.	Thailand	100	100
AS Otto Bock Estonia	Estonia	100	100
Otto Bock Ortopedi ve Rehabilitasyon Teknigi LS	Turkey	100	100
Otto Bock Argentina S.A.	Argentina	100	100
Otto Bock de Mexico S.A. de C.V.	Mexico	100	100
Otto Bock Holding B.V.	Netherlands	100	100
Albatros Son Holding B.V.	Netherlands	100	100
Otto Bock Japan K.K.	Japan	100	100
John + Bamberg GmbH & Co. KG, Orthopädietechnik im Annastift	Germany	100	100
John + Bamberg Verwaltungs GmbH	Germany	100	100
Otto Bock HealthCare Canada Ltd.	Canada	100	100
Otto Bock Asia Pacific Limited	China	100	100
Otto Bock Polska Sp. z o.o.	Poland	100	100
Otto Bock HealthCare India Private Ltd.	India	100	100
Aktiv Ortopedteknik Support AB	Sweden	100	100
Otto Bock Korea HealthCare Co. Ltd.	South Korea	100	100
Otto Bock ČR s.r.o.	Czech Republic	100	100
Otto Bock HealthCare Deutschland GmbH	Germany	100	100
Otto Bock HealthCare Beteiligungen GmbH	Germany	100	100
Otto Bock HealthCare North America Inc.	USA	100	100
Otto Bock Sava d.o.o.	Serbia	100	100
Otto Bock Adria d.o.o. Sarajevo	Bosnia-Herzegovina	100	100
Otto Bock Hungaria Kft.	Hungary	100	100
Otto Bock Algeria EURL	Algeria	100	100

<b>Consolidated entities/ subsidiaries</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
Independent Disablement Services Limited	Ireland	100	100
Otto Bock HealthCare Besitz- und Verwaltungs GmbH	Germany	100	100
Otto Bock HealthCare U.S. Inc.	USA	100	100
Otto Bock HealthCare Andina SAS	Colombia	100	100
Otto Bock MP B.V.	Netherlands	100	100
Otto Bock Austria GmbH	Austria	100	100
La Prothese Generale SA	France	100	94,5
Otto Bock HealthCare US Participation LP	USA	100	100
Otto Bock HealthCare US Management Inc.	USA	100	100
Otto Bock Romania SRL	Romania	100	100
Otto Bock Slovakia s.r.o.	Slovakia	100	100
Clínica de Reabilitação Ottobock Rio de Janeiro Ltda.	Brazil	100	100
Otto Bock Manufacturing Königsee GmbH	Germany	100	100
Otto Bock International (Beijing) Co. Ltd.	China	100	100
Otto Bock Mobility Solutions GmbH	Germany	100	100
OOO Otto Bock Yekaterinburg	Russia	100	100
OOO Otto Bock St. Petersburg	Russia	100	100
Otto Bock Soluzioni Ortopediche Srl	Italy	100	100
Otto Bock Bulgaria LTD	Bulgaria	100	100
Otto Bock Chile SpA	Chile	100	100
Otto Bock Orthopedic Services LLC	USA	100	100
Otto Bock Maroc SARL	Morocco	100	100
Otto Bock Medikal Hizmetleri Ltd Sti.	Turkey	100	100
Otto Bock Mobility LLC	Russia	100	100
Otto Bock South Africa (Pty) Ltd	South Africa	60	60
Aktiv Ortopedteknik i Värmland AB	Sweden	100	100
Otto Bock HealthCare Andina SAS	Ecuador	100	100
Clínica de Reabilitação Ottobock Sao Paulo Ltda.	Brazil	100	100
Otto Bock HealthCare Andina SAS	Peru	100	100
Ottobock MedicalCare GmbH	Germany	100	100
Respecta OY	Finland	100	100
Pohlig GmbH	Germany	100	100
Pohlig Austria GmbH & Co. KG	Austria	100	100
Pohlig Austria GmbH	Austria	100	100
Otto Bock Philippines Corp.	Philippines	100	100
Jos America Machines BV	Netherlands	100	100
Polior Industria e Comercio de Produtos Ortopedicos Ltda.	Brazil	100	100
Southern Prosthetics & Orthotics Pty. Ltd.	Australia	100	100
Ottobock Indústria e Comércio, Importacao e Exportacao de Cadeiras de Rodas Ltda.	Brazil	100	100
Dorset Orthopaedic Company Limited	UK	100	100
Otto Bock Vietnam Company Limited	Vietnam	100	100
Orthopraxis SAS	Colombia	51	51

<b>Consolidated entities/ subsidiaries</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
Ottobock Uruguay S.A.	Uruguay	100	100
Aktiv Ortopedteknik i Sverige AB	Sweden	100	100
Clínica de Reabilitação Ottobock Porto Alegre Ltda.	Brazil	100	80
Medifix Healthcare Limited	Ireland	100	51
Otto Bock Servicii Ortopedice S.R.L.	Romania	100	100
Ensco 1214 Ltd.	UK	100	100
Ensco 1212 Ltd.	UK	100	100
Ottobock Lanka (Private) Limited	Sri Lanka	100	100
Ottobock Group Holdings, LLC	USA	100	100
Ottobock Prosthetic Holdings, LLC	USA	100	100
Pomme Holdings Corp.	USA	100	100
Ottobock Prosthetic Group Corp.	USA	100	100
Ottobock Prosthetic Group Holdings, LLC	USA	100	100
Ottobock Prosthetics, LLC	USA	100	100
Freedom Innovations Europe B.V.	Netherlands	100	100
Otto Bock Middle East FZ-LLC Dubai	United Arab Emirates	100	100
Otto Bock S A Holding (Pty) Ltd.	South Africa	100	100
plus medica OT GmbH	Germany	51	51
Clínica de Reabilitação Ottobock Curitiba Ltda.	Brazil	100	100
Ottobock (Shanghai) Orthopedics Co., Ltd.	China	100	100
Ottobock Kenya Limited	Kenya	100	100
Ottobock Clinicas Brasil	Brazil	100	100
Otto Bock Patient Care, LLC	USA	90,4	89,7
Scott Sabolich Prosthetics & Research LLC	USA	70	70
Ottobock Manufacturing Bulgaria EOOD	Bulgaria	100	100
V!GO International NV	Belgium	100	100
V!GO NV	Belgium	100	100
Matamman Orthopaedic Suppliers Company (Private) Limited	Sri Lanka	33	33
Ottobock GP, LLC	USA	100	100
Cascade Orthopedic Supply, LP	USA	51	51
Ortoped ULC	Canada	100	100
APO Holdings LLC	USA	100	90
Ability Prosthetics & Orthotics LLC	USA	100	100
Asheville Orthotics Prosthetics Center	USA	100	100
Artificial Limb Specialist. LLC	USA	80	80
Wright & Filippis. LLC	USA	85	85
Wright & Filippis. Southeast, LLC	USA	100	100
A4 Access, LLC	USA	100	100
Carolina Orthotics & Prosthetics, LLC (MI)	USA	100	100
Carolina Orthotics & Prosthetics, LLC (SC)	USA	100	100
Prosthetics/Orthotics Consulting Service	USA	75	49
Active Life Health LC	USA	90	90
Active Life LLC	USA	100	100

<b>Consolidated entities/ subsidiaries</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
Active Life Orthotics and Prosthetics Corporation	USA	100	100
Exoneural Network AB	Sweden	100	100
Inerventions Education AB	Sweden	100	100
Herakles GmbH	Germany	100	100
CLINICA DE REABILITACAO OTTOBOCK BELO HORIZONTE LTDA	Brazil	100	100
IOT Gesellschaft für innovative Orthopädie-Technik mbH	Germany	100	100
Clínica de Reabilitação Ottobock Florianopolis Ltda	Brazil	100	100
Ottobock Reseau Ortophédie et Services	France	100	100
David A. Yates & Associates, LLC	USA	100	100
DY&A Logistics LLC	USA	100	100
CLÍNICA DE REABILITAÇÃO OTTOBOCK RECIFE LIMITADA	Brazil	100	100
Neobock Ltd.	Israel	50	-
CLÍNICA DE REABILITAÇÃO OTTOBOCK SALVADOR LIMITADA	Brazil	100	100
U.S. Bionics, Inc.	USA	100	100
Prosthetic Care LLC	USA	100	100
Prosthetic and Orthotic Care LLC	USA	100	100
Orthopedie Investments Holding B.V.	Netherlands	100	-
Veldink Rolstoeltechniek B.V.	Netherlands	100	-
Clínica de Reabilitação Ottobock Goiania Ltda.	Brazil	100	-
Clínica de Reabilitação Ottobock Belem Ltda.	Brazil	100	-
Magnolia Invest BV	Belgium	100	-
Orthomed BV	Belgium	100	-
Orthomed Distribution BV	Belgium	100	-
Demolder Orthos NV	Belgium	100	-
Peter Harsch Prosthetics, LLC	USA	100	-
Livit Orthopedie B.V.	Netherlands	100	-
Ortho-Fix LDA	Portugal	49	-
Livit Schoentechiek B.V.	Netherlands	100	-
Eilandsgracht B.V	Netherlands	95	-
G.M. Medical Bracing B.V.	Netherlands	100	-

<b>Unconsolidated subsidiaries*</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
Otto Bock Ortopaedic Services S.A.E.	Egypt	100	100
Otto Bock Holding South East Asia Co., Ltd.	Thailand	100	100



<b>Associated companies accounted for using the equity method *</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
Qingdao Ao Kang Rehabilitation & Assistive Device Co. Ltd.	China	40	40
Prosthetics Consulting Services, LLC	USA	50	50
Pro-Care, LLC	USA	33,33	33,33
MUSC Prosthetics Orthotics Services LLC	USA	49	49
SiChuan ZhongdeaoLi Prosthetics and Orthotics Co., Ltd.	China	30	30

<b>Other investments*</b>			
<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2022</b>	<b>2021</b>
DUNA S.R.L.	Italy	20	20
Biogas Duderstadt GmbH & Co. KG	Germany	25,07	25,07
OHI Orthotics LLC	USA	25	25
Orthotic Holdings Inc.	USA	25	25
The Orthotic Group Inc.	USA	25	25
Langer Biomechanics Inc.	USA	25	25
Arizona AFO Inc.	USA	25	25
Apex Foot Health Industries, LLC	USA	25	25
Safe Step LLC	USA	25	25
PedAlign Holdings Inc.	USA	25	25
MedPro C.i.S.A.S.	Colombia	25	25
OHI Australia Pty Ltd.	Australia	25	25
Australian Orthotic Group Pty Ltd.	Australia	25	25
MDI Corporation	USA	25	25
OHI International	Ireland	25	25
Biogas Duderstadt Verwaltungs GmbH	Germany	25,07	25,07

- The unconsolidated subsidiaries, the investments in associated companies and the other investments are reported under non-current financial assets.

## 6 Business combinations and acquisition of non-controlling interests

### Acquisitions in 2022

#### Acquisition of Veldink4Kids

On January 26, 2022 Albatros Son Holding B.V. acquired 100% of shares of Veldink Rolstoeltechniek B.V. (thereinafter "Veldink4Kids"). Veldink4Kids designs, manufactures and trades customised wheelchairs for children.

Veldink4Kids has been acquired in order to strengthen Ottobock's position as a supplier of wheelchairs for children. In addition to gaining access to the existing business in the Netherlands, Ottobock plans to internationalize the products and leverage synergies with the existing Ottobock Group business model. The internationalization focus relates to the following markets: Germany, Italy, Austria and Belgium. Accordingly, the business operations of Veldink4Kids will be integrated into the region Western Europe.

From the date of acquisition until December 2022, Veldink4Kids contributed € 4.004 thousand of revenue and € 580 thousand to profit before tax from continuing operations of the Group.

#### Consideration transferred

The purchase price amounts to € 17.681 thousand.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Veldink4Kids as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	51
Intangible assets	10.160
Right-of-use assets	369
Non-current financial assets	10
<b>Current</b>	
Inventories	1.248
Trade receivables and other assets	484
Current financial assets	7
Cash and short-term deposits	257
Other current assets	71
<b>Total Assets</b>	<b>12.657</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Non-current financial liabilities	-308
Deferred tax liabilities	-2.532
<b>Current</b>	
Trade and other payables	-133
Other current liabilities	-355
<b>Total Liabilities</b>	<b>-3.329</b>
<b>Total identifiable net assets at fair value</b>	<b>9.329</b>
Non-controlling interest measured at fair value	-
Goodwill arising on acquisition	8.352
<b>Acquisition date fair value</b>	<b>17.681</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Customer relationships were valued at € 10.001 thousand as a customer-related intangible asset. The company has direct business relationships with all major dealer organisations in the Netherlands. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the customers. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 484 thousand. The gross amount of trade receivables is € 488 thousand, and it is expected that the full contractual amounts can be collected.

#### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 170 thousand on due diligence and legal costs. These costs have been included in other operating expenses.

#### **Acquisition of Orthomed Group**

On April 13, 2022 VIGO International NV acquired 100% of shares of Magnolia Invest BV and Demolder Orthos NV (thereinafter "Orthomed"). The transaction scope consists of the four entities Orthomed BV, Demolder Orthos NV, Orthomed Distribution BV and Magnolia Invest BV. Orthomed is a patient care provider in Belgium, that operates three patient care centres in Genk, Hasselt and Turnhout.

With the acquisition of Orthomed and the existing business of VIGO, Ottobock now operates the largest patient care network in Belgium and strengthens its position as a patient care provider in Benelux. Accordingly, the business operations of Orthomed will be integrated into the region Western Europe.

From the date of acquisition until December 2022, Orthomed contributed € 5.179 thousand of revenue and € 31 thousand to profit before tax from continuing operations of the Group. Had Orthomed already been consolidated as of January 1, 2022, the Group would have generated revenue of € 7.800 thousand and a profit before tax of € 484 thousand.

#### *Consideration transferred*

The purchase price amounts to € 30.647 thousand and consists of a cash consideration of € 28.051 thousand that has been paid in July 2022 plus a deferred amount of € 2.596 thousand that is due in three tranches between April 2023 and April 2025.

#### *Assets acquired and liabilities assumed*

The fair values of the identifiable assets and liabilities of Orthomed as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	6.136
Intangible assets	7.247
Right-of-use assets	279
Non-current financial assets	9
Deferred tax assets	24
<b>Current</b>	
Inventories	1.736
Trade receivables and other assets	1.032
Cash and short-term deposits	3.946
<b>Total Assets</b>	<b>20.408</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Non-current financial liabilities	-3.758
Deferred tax liabilities	-2.114
<b>Current</b>	
Trade and other payables	-347
Current financial liabilities	-395
Other current liabilities	-742
<b>Total Liabilities</b>	<b>-7.355</b>
<b>Total identifiable net assets at fair value</b>	<b>13.052</b>
Non-controlling interest measured at fair value	-
Goodwill arising on acquisition	17.595
<b>Acquisition date fair value</b>	<b>30.647</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Customer relationships were valued at € 5.766 thousand as a customer-related intangible asset. The company has direct business relationships to the patients with minor and heavy disabilities in Belgian market for patient care and orthopaedic products. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the patients. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 1.034 thousand. The gross amount of trade receivables is € 1.098 thousand, and it is expected that the full contractual amounts can be collected.

#### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 139 thousand on due diligence and legal costs. These costs have been included in other operating expenses.

#### **Acquisition of Peter Harsch Prosthetics**

On April 19, 2022 Ottobock Patient Care LLC acquired 100% of shares of Peter Harsch Prosthetics, LLC (thereinafter Peter Harsch). Peter Harsch operates a patient care center in San Diego. The company's focus lies particularly on high-quality care for patients. With the acquisition of Peter Harsch, Ottobock further expands its presence in California. Accordingly, the business operations of Peter Harsch will be integrated into the region North America.

The contribution of Peter Harsch to the Group's revenue and profit before tax is insignificant compared with the Group's revenue and profit before tax and is therefore not disclosed separately.

### *Consideration transferred*

The purchase price amounts to € 12.142 thousand and is defined as the unadjusted purchase price of € 11.695 thousand plus a net financial debt adjustment of € 447 thousand.

### *Assets acquired and liabilities assumed*

The fair values of the identifiable assets and liabilities of Peter Harsch as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	15
Intangible assets	5.395
Right-of-use assets	67
Non-current financial assets	4
<b>Current</b>	
Inventories	113
Trade receivables	142
Cash and short-term deposits	406
Other current assets	18
<b>Total Assets</b>	<b>6.161</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Deferred tax liabilities	-1.263
<b>Current</b>	
Trade and other payables	-4
Current financial liabilities	-67
Other current liabilities	-38
<b>Total Liabilities</b>	<b>-1.371</b>
<b>Total identifiable net assets at fair value</b>	<b>4.789</b>
Non-controlling interest measured at fair value	-
Goodwill arising on acquisition	7.352
<b>Acquisition date fair value</b>	<b>12.142</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Customer relationships were valued at € 5.395 thousand as a customer-related intangible asset. The company has direct business relationships with patients from the US and internationally. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the patients. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 142 thousand. The gross amount of trade receivables is € 151 thousand, and it is expected that the full contractual amounts can be collected.

### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 161 thousand on due diligence and legal costs. These costs have been included in other operating expenses.

### ***Acquisition of Livit***

On May 2, 2022 Albatros Son Holding B.V. acquired 100% of shares of Orthopedie Investments Holding B.V.

Orthopedie Investments Holding B.V. is the sole shareholder of Livit B.V. (thereinafter “Livit”), one of the leading patient care companies in the Netherlands. Livit, headquartered in Amsterdam, operates 50 care centers in the Netherlands and offers users and patients a comprehensive range of prostheses and orthoses as well as orthopedic shoes and stockings. In addition, there are several hundred consultation and service locations. For example, Livit is regularly present in numerous hospitals and rehabilitation centers to provide patients with early information on possible treatment options following an amputation. In Dordrecht, the company has a central production site and efficiently bundles manufacturing capacities there.

The Netherlands has been an important sales market for Ottobock for many years. With the strengthening of the care network through Livit, Ottobock wants to combine high-quality products and outstanding care for patients in order to get even closer to users and further improve the standard of care. With the transaction Ottobock is complementing Western European care network. At the same time, Ottobock is strengthening the position as a global company in patient care. Livit is allocated to the region Western Europe.

From the date of acquisition until December 2022, Livit contributed € 33.866 thousand of revenue and € 16 thousand to profit before tax from continuing operations of the Group. Had Livit already been consolidated as of January 1, 2022, the Group would have generated revenue of € 47.335 thousand and a result before tax of € -1.652 thousand.

### ***Consideration transferred***

The purchase price amounts to € 46.061 thousand and consists of a cash consideration of € 41.061 thousand paid as of closing, plus a deferred payment of € 5.000 thousand that has been paid in July 2022.

### *Assets acquired and liabilities assumed*

The fair values of the identifiable assets and liabilities of Livit as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	4.173
Intangible assets	9.647
Right-of-use assets	10.239
Non-current financial assets	696
<b>Current</b>	
Inventories	2.401
Trade receivables	3.166
Current financial assets	711
Cash and short-term deposits	4.065
Other current assets	466
<b>Total Assets</b>	<b>35.564</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Non-current financial liabilities	-9.068
Non-current provisions	-234
Non-current deferred revenue	-427
<b>Current</b>	
Trade and other payables	-2.587
Current financial liabilities	-2.366
Other current liabilities	-6.147
<b>Total Liabilities</b>	<b>-20.829</b>
<b>Total identifiable net assets at fair value</b>	<b>14.735</b>
Non-controlling interest measured at fair value	-
Goodwill arising on acquisition (provisional)	31.326
<b>Acquisition date fair value</b>	<b>46.061</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Trademarks were valued at € 1.969 thousand as an intangible asset. The most prominent trademark is the umbrella brand "Livit Orthopedie", actively referred to by the market and contributing to the majority of total sales. "Livit Orthopedie" is well known in the Dutch market and associated with high-quality products. The trademarks are recognized at fair value using the Relief-from-Royalty Method.

Customer relationships were valued at € 3.148 thousand as a customer-related intangible asset. The company has direct business relationships the patients with minor and heavy disabilities in Dutch market for patient care and orthopaedic products. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the customers. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

Developed technology was valued at € 2.080 thousand as intangible assets. The production process is highly digitalized, meaning that certain parts of the customer interaction are performed through software and hardware. The technology used for prostheses and orthoses have the highest degree of uniqueness, cost reduction as well as customer value potential. The technology is recognized at fair value using the Relief-from-Royalty Method.

The fair value of the trade receivables amounts to € 3.166 thousand. The gross amount of trade receivables is € 3.306 thousand, and it is expected that the full contractual amounts can be collected.

Net no deferred taxes occurred as deferred tax assets from existing tax loss carryforwards countered otherwise existing deferred taxes liabilities.

#### ***Acquisition-related costs***

The Group incurred acquisition-related costs of € 502 thousand on due diligence and legal costs. These costs have been included in other operating expenses.

#### ***Effects on Group revenue and profit before tax had the entities been acquired as of January 1, 2022***

Had the 2022 acquisitions been effective as of January 1, 2022, then the Revenues had been higher by € 16.090 thousand and profit before tax had been lower by € 1.181 thousand, leading to (pro-forma) revenues of € 1.350.283 thousand and profit before tax of € 93.185 thousand.

#### ***Other acquisitions***

On October 21, 2022 Otto Bock Patient Care LLC acquired the non-controlling interests in APO Holdings LLC. The purchase price amounts to € 996 thousand and has been settled by issuing a promissory note that was due in January 2023. Further on October 21, 2022 Otto Bock Patient Care LLC redeemed shares formerly held by the non-controlling shareholder in APO Holdings LLC for a cash payment amounting to € 715 thousand.

Post consolidation changes in purchase prices (provisional accounting, contractually agreed adjustment mechanisms during the adjustment period of up to 12 months) and first time consolidation of a non-consolidated entity added goodwill of € 1,8 million, which relate to periods prior to 2022.

In August 2022, Neobock Ltd. signed an agreement to purchase 67% of the shares in Eshed Advanced Orthopedics Ltd. (thereinafter "Eshed"), a patient care provider, that operates three patient care centres in Israel. The preliminary purchase price amounts to € 852 thousand and consists of a cash consideration of € 710 thousand to be paid as of closing, plus an earn out of € 142 thousand depending on the extension of agreements with major business partners. Additionally, a purchase option has been agreed for the acquisition of the remaining 33% of shares in Eshed. The transaction has been closed on 15 March, 2023. Due to the short period of time between the transaction's closing date and the date on which the consolidated financial statements have been authorized for issuance, the identification and valuation of the acquired assets and liabilities had not been completed. For this reason, disclosures according to IFRS 3B64-B66 cannot be provided.

In August 2022, Neobock Ltd. signed an agreement to purchase 100% of the shares in Technoleg Orthopedic Institute Ltd. (thereinafter "Technoleg"), a patient care provider in Israel. The preliminary purchase price amounts to € 693 thousand. The transaction has been closed on 15 March 2023. Due to the short period of time between the transaction's closing date and the date on which the consolidated financial statements have been authorized for issuance, the identification and valuation of the acquired assets and liabilities had not been completed. For this reason, disclosures according to IFRS 3B64-B66 cannot be provided.

In August 2022, Otto Bock Holding BV signed an agreement to purchase 100% of the shares in Phoenix Rehabilitation Services Limited and its subsidiary Pace Rehabilitation Limited (together thereinafter "Pace"), a patient care provider in UK. The preliminary purchase price amounts to € 3.834 thousand. The transaction has been closed on 5 January 2023. Due to the short period of time between the transaction's closing date and the date on which the consolidated financial statements have been authorized for issuance, the identification and valuation of the acquired assets and liabilities had not been completed. For this reason, disclosures according to IFRS 3B64-B66 cannot be provided.

In January 2023 Ottobock MedicalCare GmbH signed an agreement to purchase 100% of the shares in Orthopädie Brillinger GmbH & Co. Kommanditgesellschaft, a patient care provider in Germany. The preliminary purchase price amounts to € 10.216 thousand subject to a net financial debt and net working capital adjustment. The transaction has been closed on 28 February 2023. Due to the short period of time between the transaction's closing date and the date on which the consolidated financial statements have been authorized for issuance, the identification and valuation of the acquired assets and liabilities had not been completed. For this reason, disclosures according to IFRS 3B64-B66 cannot be provided.



## Acquisitions in 2021

### Acquisition of Exoneural Network AB (ENN)

On January 13, 2021 Ottobock SE & Co. KGaA acquired 100% of the issued and outstanding limited partnership interests of Exoneural Network AB. ENN has developed the EXOPULSE Mollii Suit ("Mollii Suit"). The suit covers the entire body and uses electrostimulation to relax tense or spastic muscles which can improve the mobility for people with spastic diseases. The company was founded in 2009 and is based in Danderyd, Sweden. Ottobock SE & Co. KGaA acquired ENN due to access to a highly promising technology and know-how that closes a gap in the product portfolio.

From the date of acquisition, ENN contributed € 243 thousand of revenue and € -8.026 thousand to profit before tax from continuing operations of the Group.

#### Assets acquired and liabilities assumed

The values of the identifiable assets and liabilities of ENN as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	1
Intangible assets	7.555
Non-current financial assets	5
<b>Current</b>	
Inventories	195
Trade receivables and other assets	302
Cash and short-term deposits	779
<b>Total Assets</b>	<b>8.837</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Non-current financial liabilities	-86
<b>Current</b>	
Trade and other payables	-209
Other current liabilities	-942
<b>Total Liabilities</b>	<b>-1.237</b>
<b>Total identifiable net assets at fair value</b>	<b>7.600</b>
Goodwill arising on acquisition (Note 13)	30.610
<b>Purchase consideration transferred</b>	<b>38.210</b>

The goodwill is attributable mainly to the skills and technical talent of ENN's workforce and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

The acquired technology was valued at € 6.267 thousand and consists of the Mollii Suit and EXOPULSE Click-on Devices which is protected by certain patents held by ENN. The technology was valued based on the royalty relief method.

The fair value of the trade receivables amounts to € 228 thousand. The gross amount of trade receivables is € 288 thousand, and it is expected that the full contractual amounts can be collected.

#### Acquisition-related costs

The Group incurred acquisition-related costs of € 334 thousand on escrow fees, legal fees, and due diligence costs. These costs have been included in other operating expenses.

### *Consideration transferred*

The purchase price amounts to €38.210 thousand and is defined as the upfront cash payment at €17.000 thousand plus the closing adjustment (€310 thousand) by which the Net Working Capital exceeds the normalised Net working capital. Moreover, a deferred consideration has to be paid at €8.000 thousand and also a contingent consideration has been agreed. The contingent consideration shall be paid if the relevant revenue in each relevant period exceeds the agreed limit of € 10.000 thousand until year 2025. The fair value of the contingent consideration amounts to € 12.900 thousand which was recognised at the acquisition date and remeasured at reporting date in the amount of € 4.850 thousand. Future developments may require further revisions to the estimate which reasonably possible may vary in a range of +/- 50% during the next reporting period. The contingent consideration is classified as other non-current financial liability (see Note 24).

### **Acquisition of IOT Gesellschaft für innovative Orthopädie-Technik mbH (IOT)**

On February 26, 2021 Ottobock SE & Co. KGaA acquired 100% of the issued and outstanding limited liability company interests of IOT Gesellschaft für innovative Orthopädie-Technik mbH. IOT develops, manufactures and trades orthopaedic and rehabilitation technology products as well as sanitary articles.

Ottobock SE & Co. KGaA acquired IOT because of the expansion of the product portfolio and gain from synergy potential by reducing personnel expenses and optimizing purchasing.

From the date of acquisition until December 2021, IOT contributed € 1.188 thousand of revenue and € 574 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2021, the contribution to Group revenues from continuing operations would have been € 1.473 thousand and the profit before tax from continuing operations would have been € 657 thousand.

### *Assets acquired and liabilities assumed*

The values of the identifiable assets and liabilities of IOT Gesellschaft für innovative Orthopädie-Technik mbH as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	49
Deferred tax assets	3
<b>Current</b>	
Inventories	271
Trade receivables and other assets	399
Cash and short-term deposits	1.093
<b>Total Assets</b>	<b>1.815</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
<b>Current</b>	
Trade and other payables	-19
Other current liabilities	-131
<b>Total Liabilities</b>	<b>-150</b>
<b>Total identifiable net assets at fair value</b>	<b>1.665</b>
Goodwill arising on acquisition (Note 13)	886
<b>Purchase consideration transferred</b>	<b>2.551</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. Furthermore, the goodwill comprises the value of a customer list, which is not separately recognised. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the trade receivables amounts to € 17 thousand. The gross amount of trade receivables is €17 thousand, and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 17 thousand. These costs have been included in other operating expenses.

### *Consideration transferred*

The purchase price amounts to € 2.551 thousand and is defined as the unadjusted purchase price € 2.000 thousand plus the final closing cash minus/plus the amount by which the final working capital is less than/exceeds the target working capital minus the closing indebtedness (€ 551 thousand).

### **Acquisition of Marcenac et Ducros SA**

On May 10, 2021 Ottobock SARL acquired 100% of the issued and outstanding limited liability company interests of Marcenac et Ducros SA. Marcenac et Ducros SA develops, manufactures and trades orthopaedic and rehabilitation technology products as well as sanitary articles.

Ottobock SARL acquired Marcenac et Ducros SA in order to accelerate and stabilize patient care expansion in South of France and moreover to increase sales of OB components specially MPK Socket Tec.

From the date of acquisition until December 2021, Marcenac et Ducros SA contributed € 2.951 thousand of revenue and € 527 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2021, the contribution to Group revenues from continuing operations would have been € 4.678 thousand and the profit before tax from continuing operations would have been € 291 thousand.

### *Assets acquired and liabilities assumed*

The values of the identifiable assets and liabilities of Marcenac et Ducros SA as at the date of acquisition were

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	285
Intangible assets	586
<b>Current</b>	
Inventories	576
Trade receivables and other assets	426
Cash and short-term deposits	2.723
<b>Total Assets</b>	<b>4.596</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Deferred tax liabilities	-125
<b>Current</b>	
Trade and other payables	-147
Current financial liabilities	-51
Other current liabilities	-505
<b>Total Liabilities</b>	<b>-828</b>
<b>Total identifiable net assets at fair value</b>	<b>3.768</b>
Goodwill arising on acquisition (Note 13)	2.597
<b>Purchase consideration transferred</b>	<b>6.365</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Patient relationships were valued at € 500 thousand as a customer-related intangible asset. The company has products and service types of devices that require regular customer appointments to perform fittings or technical services. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the customers. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 250 thousand. The gross amount of trade receivables is € 250 thousand, and it is expected that the full contractual amounts can be collected.

#### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 67 thousand on due diligence and tax costs. These costs have been included in other operating expenses.

#### *Consideration transferred*

The purchase price amounts to € 6.365 thousand and is defined as the unadjusted purchase price € 4.000 thousand plus the final closing cash minus/plus the amount by which the final working capital is less than/exceeds the target working capital minus the closing indebtedness (€ 2.365 thousand). Furthermore, a contingent consideration has been agreed on €2.000 thousand, which depends on achieving the agreed limit of EUR 6.600 thousand for Sales and EUR 750 thousand for EBITDA in 2021. Since the current Sales and EBITDA figure miss the fixed limit the agreed contingent consideration is insignificant.

#### **Acquisition of David A. Yates & Associates, Inc.**

On July 6, 2021 Ottobock Patient Care LLC acquired 100% of the issued and outstanding limited liability company interests of David A. Yates & Associates, Inc. David A. Yates & Associates, Inc business model focuses on the supply of medicine.

From the date of acquisition until December 2021, David A. Yates & Associates Inc. contributed € 4.466 thousand of revenue and € 267 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2021, the contribution to Group revenues from continuing operations would have been € 8.531 thousand and the profit before tax from continuing operations would have been € 752 thousand.

#### *Assets acquired and liabilities assumed*

The values of the identifiable assets and liabilities of David A. Yates & Associates Inc. as at the date of acquisition were

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Intangible assets	2.353
Right-of-use assets	524
<b>Current</b>	
Inventories	563
Trade receivables and other assets	1.426
Cash and short-term deposits	518
<b>Total Assets</b>	<b>5.384</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Deferred tax liabilities	-573
<b>Current</b>	
Trade and other payables	-893
Other current liabilities	-533
<b>Total Liabilities</b>	<b>-1.999</b>
<b>Total identifiable net assets at fair value</b>	<b>3.385</b>
Goodwill arising on acquisition (Note 13)	5.591
<b>Purchase consideration transferred</b>	<b>8.976</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Patient relationships were valued at € 2.353 thousand as a customer-related intangible asset. The company has products and service types of devices that require regular customer appointments to perform fittings or technical services. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the customers. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 979 thousand. The gross amount of trade receivables is € 979 thousand, and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

#### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 181 thousand on due diligence and tax costs. These costs have been included in other operating expenses.

#### *Consideration transferred*

The purchase price amounts to € 8.976 thousand and is defined as the unadjusted purchase price € 7.184 thousand plus the final closing cash minus/plus the amount by which the final working capital is less than/exceeds the target working capital (€ 994 thousand) and the contribution of 9.500 Class B Shares Unit with a fair value of € 798 thousand.

#### **Acquisition of Prosthetic and Orthotic Care LLC**

On October 4, 2021 Ottobock Patient Care LLC acquired 100% of the shares in the Prosthetic and Orthotic Care LLC. The Prosthetic and Orthotic Care LLC produce custom prosthetic and orthotic devices with an innovative design.

From the date of acquisition until December 2021, Prosthetic and Orthotic LLC contributed € 965 thousand of revenue and € 51 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2021, the contribution to Group revenues from continuing operations would have been € 4.025 thousand and the profit before tax from continuing operations would have been € 225 thousand.

### *Assets acquired and liabilities assumed*

The values of the identifiable assets and liabilities of Prosthetic and Orthotic LLC as at the date of acquisition were

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	186
Intangible assets	772
<b>Current</b>	
Inventories	157
Trade receivables and other assets	499
Cash and short-term deposits	45
<b>Total Assets</b>	<b>1.659</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Deferred tax liabilities	-188
<b>Current</b>	
Trade and other payables	-121
Other current liabilities	
<b>Total Liabilities</b>	<b>-309</b>
<b>Total identifiable net assets at fair value</b>	<b>1.350</b>
Goodwill arising on acquisition (Note 13)	3.552
<b>Purchase consideration transferred</b>	<b>4.902</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Patient relationships were valued at € 772 thousand as a customer-related intangible asset. The company has products and service types of devices that require regular customer appointments to perform fittings or technical services. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the customers. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 489 thousand. The gross amount of trade receivables is € 489 thousand, and it is expected that the full contractual amounts can be collected.

### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 76 thousand on due diligence and tax costs. These costs have been included in other operating expenses.

### *Consideration transferred*

The purchase price amounts to € 4.902 thousand and is defined as the unadjusted purchase price € 4.431 thousand plus the final closing cash minus/plus the amount by which the final working capital is less than/exceeds the target working capital (€ 42 thousand) and the contribution of 5.000 Class B Shares Unit with a fair value of € 429 thousand.

### **Acquisition of Prosthetic Care Inc.**

On October 6, 2021 Ottobock Patient Care LLC acquired 100% of the shares in the Prosthetic Care Inc. Prosthetic Care Inc. manufactures prosthetic devices through collaboration between the entire staff, prosthetists and technicians.

From the date of acquisition until December 2021, Prosthetic Care Inc. contributed € 1.624 thousand of revenue and € 466 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2021, the contribution to Group revenues from continuing operations would have been € 5.948 thousand and the profit before tax from continuing operations would have been € 745 thousand.

### *Assets acquired and liabilities assumed*

The values of the identifiable assets and liabilities of Prosthetic Care Inc. as at the date of acquisition were

	<b>Fair value recognised on acquisition</b>
	€000
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	185
Intangible assets	1.373
<b>Current</b>	
Inventories	39
Trade receivables and other assets	1.164
Cash and short-term deposits	810
<b>Total Assets</b>	<b>3.571</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Deferred tax liabilities	-335
<b>Current</b>	
Trade and other payables	-335
Other current liabilities	-512
<b>Total Liabilities</b>	<b>-1.182</b>
<b>Total identifiable net assets at fair value</b>	<b>2.389</b>
Goodwill arising on acquisition (Note 13)	5.308
<b>Purchase consideration transferred</b>	<b>7.697</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Patient relationships were valued at € 1.373 thousand as a customer-related intangible asset. The company has products and service types of devices that require regular customer appointments to perform fittings or technical services. This leads to a long-lasting customer relationship creating value for the company as the business model relies on the connection with the customers. The patient relationships are recognized at fair value using the Multi-period Excess Earnings Method (MEEM).

The fair value of the trade receivables amounts to € 809 thousand. The gross amount of trade receivables is € 809 thousand, and it is expected that the full contractual amounts can be collected.

### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 152 thousand on due diligence and tax costs. These costs have been included in other operating expenses.

### *Consideration transferred*

The purchase price amounts to € 7.697 thousand and is defined as the unadjusted purchase price € 6.507 thousand plus the final closing cash minus/plus the amount by which the final working capital is less than/exceeds the target working capital (€ 761 thousand) and the contribution of 5.000 Class B Shares Unit with a fair value of € 429 thousand.

Adjustments to purchase price finally added EUR 547 thousand in 2022 which are reflected in updated figures above.

### ***Acquisition of U.S. Bionics, Inc.***

On October 29, 2021 Ottobock SE & Co. KGaA acquired 100% of the shares in the U.S. Bionics, Inc. U.S. Bionics Inc. operates as a robotics company specialized in the research and development of exoskeletons for industrial, healthcare and recreational purposes.

From the date of acquisition until December 2021, U.S. Bionics, Inc. contributed € 155 thousand of revenue and minus € 422 thousand to profit before tax from continuing operations of the Group. If the

combination had taken place at the beginning of 2021, the contribution to Group revenues from continuing operations would have been € 3.305 thousand and the loss before tax from continuing operations would have been € 2.911 thousand.

#### *Assets acquired and liabilities assumed*

The values of the identifiable assets and liabilities of U.S. Bionics, Inc. as at the date of acquisition were

	<b>Fair value recognised on acquisition</b>
	<b>€000</b>
<b>Assets</b>	
<b>Non-current</b>	
Property, plant and equipment	313
Intangible assets	7.316
<b>Current</b>	
Inventories	310
Trade receivables and other assets	569
Cash and short-term deposits	212
<b>Total Assets</b>	<b>8.720</b>
<b>Liabilities</b>	
<b>Non-Current</b>	
Deferred tax liabilities	-2.204
<b>Current</b>	
Trade and other payables	-69
Other current liabilities	-47
<b>Total Liabilities</b>	<b>-2.320</b>
<b>Total identifiable net assets at fair value</b>	<b>6.400</b>
Goodwill arising on acquisition (Note 13)	7.370
<b>Purchase consideration transferred</b>	<b>13.770</b>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. Furthermore, the goodwill comprises the value of a customer list, which is not separately recognised. None of the goodwill recognised is expected to be deductible for tax purposes.

Ottobock SE & Co. KGaA acquired a technology and trade secrets (€ 7.217 thousand). The main intellectual property ("IP") of SuitX is the various mechanisms behind its product portfolio. These mechanisms are backed by a number of patents. The fair value of the technology is calculated by applying the relief from royalty approach. Furthermore, inventories were valued with € 170 thousand. The Group used the comparative sales method which estimates the net realizable value by measuring the expected selling prices of the subject inventory, reduced by all costs expected to be incurred in its selling.

The fair value of the trade receivables amounts to € 211 thousand. The gross amount of trade receivables is € 211 thousand, and it is expected that the full contractual amounts can be collected.

#### *Acquisition-related costs*

The Group incurred acquisition-related costs of € 761 thousand on due diligence and tax costs. These costs have been included in other operating expenses.

#### *Consideration transferred*

The purchase price amounts to € 13.769 thousand and is defined as the unadjusted purchase price € 13.769 thousand plus the final closing cash minus/plus the amount by which the final working capital is less than/exceeds the target working capital minus the closing indebtedness (€1 thousand).

First time consolidation in 2022 of Prosthetics / Orthotics Consulting Services acquired in 2020 added goodwill of € 1.298.



### Aggregated tables

The following table shows in aggregate the identifiable assets acquired and liabilities assumed in all business combinations:

	<b>2022</b>	<b>2021</b>
	€000	€000
<b>Assets</b>		
<b>Non-current</b>		
Property, plant and equipment	10.375	3.214
Intangible assets	32.450	19.936
Right-of-use assets	10.953	524
Non-current Financial Assets	720	5
Deferred tax assets	24	3
<b>Current</b>		
Inventories	5.497	5.740
Trade receivables and other assets	4.824	4.785
Current financial assets	718	0
Cash and short-term deposits	8.674	6.179
Other current assets	555	0
<b>Total Assets</b>	<b>74.790</b>	<b>40.387</b>
<b>Liabilities</b>		
<b>Non-Current</b>		
Non-current financial liabilities	-13.133	-85
Provisions	-234	0
Non-current deferred revenue	-427	0
Deferred tax liabilities	-5.909	-3.424
<b>Current</b>		
Provisions	0	-3.725
Trade and other payables	-3.071	-3.874
Current financial liabilities	-2.827	-78
Other current liabilities	-7.282	-8.710
<b>Total Liabilities</b>	<b>-32.884</b>	<b>-19.895</b>
<b>Total identifiable net assets at fair value</b>	<b>41.906</b>	<b>20.492</b>
Non-controlling interest measured at fair value	0	0
Goodwill arising on acquisition (Note 13)	64.625	61.431
<b>Purchase consideration transferred</b>	<b>106.531</b>	<b>81.923</b>

The aggregate cash flows arising from obtaining control of subsidiaries is presented in the table below:

	<b>Cash flow on acquisition</b>	
	<b>2022</b>	<b>2021</b>
	€000	€000
<i>Veldink4Kids</i>		
Net cash acquired	257	-
Cash paid	-17.681	-
<i>Orthomed</i>		
Net cash acquired	3.946	-
Cash paid	-28.051	-
<i>Peter Harsch</i>		
Net cash acquired	406	-
Cash paid	-11.003	-
<i>Livit</i>		
Net cash acquired	4.065	-
Cash paid	-46.061	-
<i>V!GO International NV</i>		
Net cash acquired	-	-
Cash paid	-	-16.538
<i>Wright &amp; Filippis, LLC</i>		
Net cash acquired	-	-
Cash paid	-	-1.677
<i>Active Life Health, LLC</i>		
Net cash acquired	-	-
Cash paid	-	-10.967
<i>Exoneural Network AB</i>		
Net cash acquired	-	779
Cash paid	-	-17.310
<i>IOT Gesellschaft für innovative Orthopädie-Technik mbH</i>		
Net cash acquired	-	1.092
Cash paid	-	-2.551
<i>Marcenac et Ducros SA</i>		
Net cash acquired	-	2.723
Cash paid	-	-6.365
<i>David A. Yates &amp; Associates, Inc.</i>		
Net cash acquired	-	518
Cash paid	-	-8.102
<i>Prosthetic and Orthotic Care LLC</i>		
Net cash acquired	-	45
Cash paid	-	-4.433
<i>Prosthetic Care Inc.</i>		
Net cash acquired	-	810
Cash paid	-547	-6.913
<i>U.S. Bionics, Inc.</i>		
Net cash acquired	-	212
Cash paid	-47	-13.770
<i>Other subsidiaries and non-controlling interests acquired</i>		
Net cash acquired	-	-
Cash paid	-859	-4.600
<b>Net cash flow on acquisitions</b>	<b>-95.575</b>	<b>-87.046</b>

## 7 Revenue from contracts with customers

### 7.1 Revenue from contracts with customers

#### 7.1.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<b>Total 2022</b>	<b>Total 2021</b>
		€000
<b>Regions</b>		
Western Europe	663.994	599.191
North America	368.853	316.629
Rest of World	301.041	271.393
<b>Total revenue from contracts with customers</b>	<b>1.333.888</b>	<b>1.187.212</b>
	<b>Total 2022</b>	<b>Total 2021</b>
	€000	€000
<b>Product Categories</b>		
Prosthetics	749.772	666.865
Other	584.116	520.348
<b>Total revenue from contracts with customers</b>	<b>1.333.888</b>	<b>1.187.212</b>
Other revenues	306	295
<b>External Revenue</b>	<b>1.334.194</b>	<b>1.187.508</b>

Due to increases in revenues from rental of wheelchair and prostheses by € 3.935 thousand due to higher volumes and acquisitions the presentation of product categories was refined in 2022 to better reflect the value chain for products sold. Prior year information was aligned and adjusted retrospectively accordingly.

Other revenues in the amount of € 306 thousand (2021: € 295 thousand) includes revenues from other businesses apart from the core business. Those revenues mainly comprise rental income and income for IT services as well as other services provided

#### 7.1.2 Contract balances

	<b>December 2022</b>	<b>December 2021</b>
	€000	€000
Trade receivables	188.542	168.075
Contract liabilities	56.144	51.020

Trade receivables are non-interest bearing (please refer for general terms 2.3.3).

Contract liabilities include prepayments on customer orders as well as deferred revenues for outstanding services related to the corresponding warranties and service packages (service-type warranties).

Set out below is the amount of revenue recognised from:

	<b>2022</b>	<b>2021</b>
	€000	€000
Amounts included in contract liabilities at the beginning of the year	25.449	21.348

### 7.1.3 Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	31 December 2022	31 December 2021
	€000	€000
Within one year	26.105	23.392
More than one year	30.039	27.628
	<b>56.144</b>	<b>51.020</b>

The remaining performance obligations expected to be recognized in more than one year relate to the service packages and guarantees which will be realized between two and six years.

## 8 Other income/expenses

### 8.1 Other income

The following table illustrates the other income:

	2022	2021
	€000	€000
Foreign exchange gains	40.215	25.375
Release of non-operating provisions	371	637
Profit on sale of fixed assets	508	741
Release of bad debt allowance	9.450	4.028
Remaining other operating income	38.358	9.255
<b>Total other operating income</b>	<b>88.902</b>	<b>40.036</b>

Other operating income variations mostly result from resolutions of provisions from share based participations and warranties under current measurement parameters in 2022 versus 2021.

### 8.2 Other expenses

The following table represents the other expenses:

	2022	2021
	€000	€000
Foreign exchange losses	-26.621	-28.109
Remaining other operating expenses	-4.085	-4.023
<b>Total other operating expenses</b>	<b>-30.706</b>	<b>-32.132</b>

In all financial years the remaining other operating expenses mainly consist of incidental acquisition costs.

### 8.3 Financial result

The following table outlines the financial result:

	2022	2021
	€000	€000
<b>Financial income</b>		
Interest income	2.893	1.226
Interest income from financial assets and liabilities (FVTPL)	47.784	8.479
Other income from financial assets and liabilities (FVTPL)	103	
	<b>50.780</b>	<b>9.705</b>
<b>Financial expenses</b>		
Interest and similar expenses	-22.781	-23.333
Interest expense from financial assets and liabilities (FVTPL)	-8.548	-5.245
Other expense from financial assets and liabilities (FVTPL)	-	-11.015
	<b>-31.329</b>	<b>-39.593</b>
<b>Other financial result</b>		
Result from participations and investments	1.194	37
Income from fair value adjustments of financial instruments	2.486	9.318
Miscellaneous financial result	-4.645	-2.469
	<b>-965</b>	<b>6.886</b>
<b>Total financial result</b>	<b>18.486</b>	<b>-23.002</b>

“Interest and similar expenses” mainly contains interest expenses from bank loans (2022: € 17.204 thousand, 2021: € 17.633 thousand,) and leasing contracts (2022: € 4.333 thousand, 2021: € 3.427 thousand).

Interest expense and interest income from financial assets and liabilities (FVTPL) includes income and expense as well as fair value changes from interest and foreign exchange derivatives both designated and not designated as hedging instrument and swaps.

Other expense and other income from financial assets and liabilities (FVTPL) includes income and expense as well as fair value changes from foreign exchange derivatives not designated as hedging instrument.

The sharp increase in interest rates as a consequence of worldwide inflation contributed to the increase in fair value adjustments of financial instruments. In 2022 income from unrealized value changes in interest rate derivatives amounted to € 41.431 thousand (2021: € 8.418).

In 2021, the item “Income from fair value adjustments of financial liabilities” includes the fair value adjustment of the ENN financial liability in the amount of € 8.050 thousand as well as revaluation effects for other conditional purchase price agreements amounting to € 1.268 thousand. Related effects in 2022 were minor.

Miscellaneous financial result includes the loss on the net monetary position from hyperinflation accounting (Argentina and – starting 2022 - Turkey) in the amount of € 4.522 thousand (2021: € 2.349 thousand).

### 8.4 Employee benefits expenses

The following table shows the employee benefit expenses, which are included in the expenses by function:

	2022	2021
	€000	€000
Wages and salaries	-477.371	-437.930
Social security and similar costs	-97.197	-86.670
<b>Total employee benefits expense</b>	<b>-574.568</b>	<b>-524.600</b>

## 8.5 Depreciation, amortization and impairment

The depreciation, amortization and impairment, which are included in the expenses by function, amounts to € 120.473 thousand (2021: €114.013 thousand). Planned For further information regarding impairments, see Note 12 and 13.

## 9 Income tax

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

### *Consolidated statement of profit or loss*

	<b>2022</b>	<b>2021</b>
	€000	€000
<b>Current income tax:</b>		
Current income tax charge	-18.493	-13.402
Adjustments in respect of current income tax of previous year	-4.044	-964
<b>Deferred tax:</b>		
Relating to origination reversal of temporary differences / tax loss carryforwards and changes in estimation of revoverability of tax losses carried forward	3.503	8.889
<i>Thereof temporary differences</i>	-20.963	-1.193
<i>Thereof tax loss carryforwards</i>	24.466	10.082
<b>Income tax expense reported in the statement of profit or loss</b>	<b>-19.034</b>	<b>-5.477</b>

### *Consolidated statement of other comprehensive income (gross amounts are disclosed)*

	<b>2022</b>	<b>2021</b>
	€000	€000
Deferred tax related to items recognised in other comprehensive income during the year:		
Cash flow hedges reserve:		
Effective portion of changes in fair value	-	-
Amount reclassified to profit or loss		
Remeasurement (gain)/loss on actuarial gains and losses	-2.399	-359
<b>Deferred tax charged to other comprehensive income</b>	<b>-2.399</b>	<b>-359</b>

A reconciliation between tax expense and the accounting profit multiplied by applying a combined statutory corporate income tax and trade tax rate for 2022 and 2021:

	2022	2021
	€000	€000
Accounting profit before tax from continuing operations	94.366	25.107
<b>Accounting profit before income tax</b>	94.366	25.107
At statutory income tax rate of 29,1% (2021: 29,1%)	-27.460	-7.306
Deviation of local and group tax rates	2.350	3.064
Taxes for prior years	-2.633	-2.742
Tax rate changes	4.835	-747
Non-deductible expenses	-3.835	-4.348
Tax exempt income	797	4.095
Effects due to change of permanent balance sheet differences	1.914	859
Unrecognised amount/ valuation allowance on deferred tax assets P/L effective	-26	1.499
Valuation Allowances related to tax loss carryforwards, interest expense carryforwards and tax credits	6.473	4.494
Unrecognised deferred tax assets related to tax loss carryforwards, interest expense carryforwards and tax credits	-1.130	-3.718
Additions / deductions for local / state / trade tax purposes	-798	-679
Others	480	51
<b>At the effective income tax rate of 20,17% (2021: 21,82%)</b>	<b>-19.034</b>	<b>-5.477</b>
Income tax expense reported in the statement of profit or loss	-19.034	-5.477

Reconciliation of PL-movements of deferred taxes in respect of each type of temporary difference and in respect of each type of unused tax losses and unused tax credits. The amount of the deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the statement of financial position. *Movement in deferred tax balances (IAS 12.81 (g) (i)-(ii)).*

2022	Net balance at 1 <sup>st</sup> Jan 2022	Recogn. in P&L	Recogn. in OCI	FX impact	Recogn. in equity	Total change
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Property, plant & equipment	6.067	2.348	0	310	-1.045	1.613
Non-current intangible assets	-52.139	137	0	-382	-7.295	-7.540
Right of use assets	-45.931	-8.113	0	-227	-2.635	-10.975
Non-current financial assets	3.924	-7.470	-1.048	-165	-6.900	-15.584
Inventory	10.071	43	0	43	6	92
Trade and other receivables	7.382	-5.233	0	369	47	-4.816
Current financial assets	-812	-404	0	-6	-108	-518
Cash and short-term deposits	0	-21	0	1	0	-20
Total other current assets	2.045	-1.864	0	-21	0	-1.885
Net employee defined benefit liabilities	2.731	-56	-1.351	-28	0	-1.436

2022	Net balance at 1 <sup>st</sup> Jan 2022	Recogn. in P&L	Recogn. in OCI	FX impact	Recogn. in equity	Total change
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Non-current provisions	-10.130	-305	0	38	37	-229
Non-current financial liabilities	46.241	341	0	236	2.921	3.498
Non-current deferred revenue	-287	320	0	5	0	324
Non-current contract liabilities	7.140	923	0	-27	108	1.004
Non-current government grants	-427	-101	0	36	0	-65
Other non-current liabilities	-155	595	0	-18	0	578
Trade and other payables - current	737	-654	0	23	0	-630
Current provisions	11.472	-2.684	0	30	0	-2.654
Current financial liabilities	12.312	216	0	32	336	584
Current contract liabilities	2.774	515	0	0	146	660
Total other current liabilities	1.441	76	0	-18	0	59
Current government grants	0	1.002	0	0	0	1.002
Tax Loss Carry forward	55.471	16.662	0	1.948	6.872	25.481
Interest expense carryforward	14.714	887	0	876	0	1.763
Federal tax credits	1.770	-666	0	42	0	-624
Non-recognition/Valuation allowances on DTA on temporary differences	-15.433	-576	0	-533	6.717	5.609
Non-recognition/Valuation allowances on DTA on tax loss carryforwards, interest expense carryforwards and tax credits	-41.281	7.583	0	-1.701	-5.078	804
<b>Tax assets (liabilities) before set off</b>	<b>19.697</b>	<b>3.503</b>	<b>-2.399</b>	<b>862</b>	<b>-5.871</b>	<b>-3.905</b>
Set-off tax	0	0	0	0	0	0
<b>Net tax assets (liabilities)</b>	<b>19.697</b>	<b>3.503</b>	<b>-2.399</b>	<b>862</b>	<b>-5.871</b>	<b>-3.905</b>



2021	Net balance at 1 <sup>st</sup> Jan 2021	Recogn. in P&L	Recogn. in OCI	FX impact	Recogn. in equity	Total change
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Property, plant & equipment	7.374	3.495	0	299	-5.100	-1.307
Non-current intangible assets	-40.864	-6.271	0	-203	-4.801	-11.275
Right of use assets	-45.708	371	0	-594	0	-223
Non-current financial assets	3.809	-20.322	0	524	19.913	115
Inventory	9.859	263	0	1	-52	212
Trade and other receivables	5.790	1.542	0	51	0	1.592
Current financial assets	-2.658	1.840	0	6	0	1.846
Cash and short-term deposits	1	0	0	0	0	-1
Total other current assets	5.809	-3.746	0	-19	0	-3.764
Net employee defined benefit liabilities	2.757	337	-361	-1	0	-26
Non-current provisions	-4.958	-5.802	0	27	603	-5.172
Non-current financial liabilities	47.347	-1.588	0	482	0	-1.106
Non-current deferred revenue	-92	-201	0	7	0	-195
Non-current contract liabilities	7.005	52	0	83	0	135
Non-current government grants	-618	180	0	11	0	191
Other non-current liabilities	0	-152	0	-4	0	-155
Trade and other payables - current	-82	840	0	-21	0	819
Current provisions	578	10.819	0	75	0	10.894
Current financial liabilities	9.195	2.077	0	127	912	3.117
Current contract liabilities	2.903	-178	0	49	0	-129
Total other current liabilities	3.553	-612	0	16	-1.516	-2.112
Current government grants	0	0	0	0	0	0
Tax Loss Carry forward	46.977	4.282	0	2.735	1.477	8.494
Interest expense carryforward	14.945	-1.423	0	1.192	0	-231
Federal tax credits	1.777	-152	0	146	0	-7
Non-recognition/Valuation allowances on DTA on temporary differences	-15.564	15.861	0	-918	-14.812	131
Non-recognition/Valuation allowances on DTA	-46.092	7.375	0	-2.394	-169	4.811

2021	Net balance at 1 <sup>st</sup> Jan 2021	Recogn. in P&L	Recogn. in OCI	FX impact	Recogn. in equity	Total change
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
on tax loss carryforwards, interest expense carryforwards and tax credits						
<b>Tax assets (liabilities) before set off</b>	<b>13.043</b>	<b>8.886</b>	<b>-361</b>	<b>1.676</b>	<b>-3.545</b>	<b>6.655</b>
Set-off tax	0	0	0	0	0	0
<b>Net tax assets (liabilities)</b>	<b>13.043</b>	<b>8.886</b>	<b>-361</b>	<b>1.676</b>	<b>-3.545</b>	<b>6.655</b>

The deferred tax assets / (liabilities) are further detailed below:

	31 December 2022		31 December 2021	
Deferred tax relates to the following:	DTA	DTL	DTA	DTL
	€000	€000	€000	€000
Property, plant and equipment	12.278	-4.598	10.695	-4.628
Non-current Intangible assets	3.460	-63.139	1.323	-53.462
Right of use assets	0	-56.906	34	-45.965
Non-current financial assets	4.026	-15.686	3.966	-42
Inventory	10.958	-795	10.531	-460
Trade and other receivables	3.857	-1.291	7.643	-261
Current financial assets	0	-1.330	26	-838
Cash and short-term deposits	0	-20	0	0
Total other current assets	1.601	-1.441	2.899	-854
Net employee defined benefit liabilities	2.989	-1.694	3.867	-1.136
Non-current provisions	2.031	-12.390	2.811	-12.941
Non-current financial liabilities	50.115	-376	46.719	-478
Non-current deferred revenue	37	0	104	-391
Non-current contract liabilities	8.144	0	7.210	-70
Non-current government grants	0	-492	0	-427
Other non-current liabilities	448	-24	472	-627
Trade and other payables	431	-324	789	-52
Current provisions	9.135	-317	12.790	-1.318
Current financial liabilities	13.703	-807	12.504	-192
Current contract liabilities	3.434	0	2.873	-99
Total other current liabilities	1.954	-455	1.608	-167
Current government grants	1.053	-51	0	0
<b>Temporary differences</b>	<b>129.655</b>	<b>-162.136</b>	<b>128.865</b>	<b>-124.410</b>
Tax Loss Carryforwards	80.952		55.471	
Interest Expense Carryforward	16.477		14.714	
Federal Tax Credits	1.146		1.770	
Non-recognition / Valuation Allowances on DTA on temporary differences	-9.824		-15.433	
Non-recognition / Valuation Allowances on DTA on tax loss carryforwards,	-40.477		-41.281	

	31 December 2022		31 December 2021	
	DTA	DTL	DTA	DTL
<b>Deferred tax relates to the following:</b>				
interest expense carryforwards and tax credits				
Offsetting	-110.472	110.472	-83.501	83.501
<b>Deferred tax assets (+) / liabilities (-)</b>	<b>67.457</b>	<b>-51.664</b>	<b>60.608</b>	<b>-40.910</b>

Deferred tax assets have not been recognised on tax losses of € 169.230 thousand (2021: € 223.687 thousand) and interest carry forward / tax credits of € 36.467 thousand (2021: € 29.625 thousand) as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

The split of total unrecognised and recognised tax losses and interest carry forward / tax credits as per the reporting date with respect to expiration, minimum taxation rules and unlimited usability is shown in the following table:

	31 December 2022	31 December 2021
	€000	€000
Unrecognised tax losses expiring within 4 years	10.708	5.720
Unrecognised tax losses expiring within 4 to 20 years	13.874	17.524
Unrecognised tax losses with unlimited usability, only subject to minimum taxation rule	136.481	192.263
Other unrecognised tax losses with unlimited usability	8.167	8.180
Non-recognition / Valuation Allowances on DTA on interest expense carryforwards	36.165	28.972
Non-recognition / Valuation Allowances on DTA on tax credits	302	653
<b>Total unrecognised tax losses</b>	<b>205.698</b>	<b>253.312</b>

The deductible temporary differences for which deferred tax assets have not been recognised are further detailed below:

	31 December 2022	31 December 2021
	€000	€000
Non-recognition / Valuation Allowances on deductible temporary differences	68.626	84.900

The temporary differences associated with investments in the Group's subsidiaries, associate and joint venture, for which a deferred tax asset has not been recognised in the periods presented, aggregate to € 24.623 thousand (2021: € 92.786 thousand).

The Group has determined that the undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future. The Group has an agreement with its associates that the profits of the associate will not be distributed until it obtains the consent of the Group. The Group does not anticipate giving such consent at the reporting date. Furthermore, the Group's joint venture will not distribute its profits until it obtains the consent of all venture partners.

There are no income tax consequences attached to the payment of dividends in either 2022 or previous financial years by the Group to its shareholders.

The Group has recognised deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax assets of € 45.405 thousand (2021: € 27.263 thousand) are recognised, although the utilisation of these deferred tax assets are dependent on future taxable profits in excess of the profit arising from the reversal of existing taxable temporary differences and the entities, to which the deferred tax assets are associated with has suffered a loss in either the current or prior year. This relates especially to the Ottobock US-Tax Group, with deferred tax assets of € 42.276 thousand (2021: € 22.920 thousand). As the US Group's mid-term planning forecasts a positive development of results for the coming years (2023 to 2027) as well as positive taxable result based on the US Group's mid-term

planning that can then be offset with existing tax losses carried forward, we expect that the recognized deferred tax assets can be utilized. This expectation is additionally supported by the elimination of effects from Corona as well as the application of a 5-year-approach in the valuation of deferred taxes due to a better planning horizon instead of the previous 3-year-approach.

The Australian subsidiary, Otto Bock Australia Pty Ltd., received a letter from the Australian Taxation Office (ATO) in January 2023, notifying a penalty of EUR 673 thousand for failure to timely lodge its Country-by-Country Reporting Master File and Short Form File for the year ended 31 December 2020. In February 2023, a formal letter of remission was sent to the ATO outlining the circumstances that led to the late submission of the two files by Otto Bock Australia Pty Ltd. To date, Otto Bock Australia Pty Ltd. has not yet received a response from the ATO.

In case of that the remission is not successful, Otto Bock Australia Pty Ltd. would have to pay the penalty of EUR 673 thousand. Based on experience with similar cases at the ATO, it has been observed that it comes to substantial and significant reductions of such penalties by the ATO. The local management considers that there is a very good chance to reduce the penalty significantly. Beside that Otto Bock Australia Pty Ltd. could make use of a second appeal to challenge the decision of the ATO and to reach out for a further relief of the penalty.

The penalty has not been considered in the consolidated financial statements as of 31 December 2022 as the Group believes that there is a good chance of reducing the penalty, especially as the late submission is a one-off situation and this was also raised in the application for remission of the penalty. In addition to this case, a tax audit is currently taking place in Italy at Otto Bock Italia S.r.l. for the 2018 financial year. The focus of this audit is mainly about the tax deduction of the participation „CRC“ sold in 2018 with a loss. This loss was deducted from the tax base in the tax calculation for 2018. This procedure was carried out in consultation with Group after obtaining an assessment from two independent tax consulting firms.

As of 27 December 2022 the first phase of the tax audit has been finalized, so-called „processo verbale di constatazione“. In the report drawn up, the auditors hypothesise a possible „abuse of rights“, i.e. sort of tax avoidance aimed at making a capital loss deductible. In the event that the tax authority were to prevail in this case, Otto Bock Italia S.r.l. would probably have to pay EUR 1.100 Thousand in arrears for 2018.

The local management believes that the opinion of the tax authority is devoid of solid arguments and difficult to sustain and to motivate and consider unlikely and remote the possibility of a final contestation in the event of a judgement. In alignment with Group it has been decided not to consider a potential tax payment for 2018 in the consolidated financial statements as of 31 December 2022.

## 10 Property, plant and equipment

	Land, land rights and buildings	Technical equipment and machines	Factory and office equipment	Other non- current tangible assets	Payments on account and in construction	Total
	€000	€000	€000	€000	€000	€000
<b>Cost</b>						
<b>At 1 January 2021</b>	<b>211.540</b>	<b>95.930</b>	<b>145.629</b>	<b>44.054</b>	<b>22.139</b>	<b>519.292</b>
Additions	15.755	8.319	12.502	6.160	8.030	50.766
Acquisition of a subsidiary (Note 6)	584	0	2.600	30	0	3.214
Disposals	-6.730	-12.316	-16.087	-10.826	-5.358	-51.317
Reclassifications	2.756	1.054	2.599	693	-7.102	0
Exchange differences	3.343	1.387	2.442	1.563	290	9.025
<b>At 31 December 2021</b>	<b>227.248</b>	<b>94.374</b>	<b>149.685</b>	<b>41.674</b>	<b>17.999</b>	<b>530.980</b>
Additions	10.342	10.199	14.562	5.390	16.767	57.261
Acquisition of a subsidiary (Note 6)	7.928	293	2.292	0	0	10.513
Disposals	-1.623	-2.044	-7.381	-3.307	-1.866	-16.220
Reclassifications	6.306	1.885	-4.903	289	-3.248	328
Exchange differences	292	219	1.143	874	205	2.732
<b>At 31 December 2022</b>	<b>250.493</b>	<b>104.926</b>	<b>155.398</b>	<b>44.920</b>	<b>29.857</b>	<b>585.594</b>

	Land, land rights and buildings	Technical equipment and machines	Factory a/nd office equipment	Other non- current tangible assets	Payments on account and in construction	Total
	€000	€000	€000	€000	€000	€000
<b>Depreciation and impairment</b>						
<b>At 1 January 2021</b>	<b>-96.901</b>	<b>-68.131</b>	<b>-108.605</b>	<b>-29.292</b>	<b>0</b>	<b>-302.929</b>
Depreciation charge for the year	-8.494	-6.318	-12.148	-6.292	0	-33.252
Impairment (Note 13)	0	0	-1.585	-76	-123	-1.784
Disposals	3.653	12.163	11.150	10.367	0	37.333
Exchange differences	-1.549	-663	-1.792	-1.175	0	-5.179
<b>At 31 December 2021</b>	<b>-103.291</b>	<b>-62.949</b>	<b>-112.980</b>	<b>-26.468</b>	<b>-123</b>	<b>-305.811</b>
Depreciation charge for the year	-10.214	-7.330	-12.242	-6.341	-136	-36.262
Impairment (Note 13)	0	0	0	0	0	0
Disposals	1.277	996	6.025	3.219	22	11.539
Reclassifications	-1.575	-1.262	2.469	207	0	-161
Exchange differences	-330	-55	-1.474	-591	2	-2.448
<b>At 31 December 2022</b>	<b>-114.133</b>	<b>-70.600</b>	<b>-118.202</b>	<b>-29.974</b>	<b>-235</b>	<b>-333.144</b>
<b>Net book value</b>						
At 31 December 2022	136.360	34.326	37.196	14.946	29.622	252.450
At 31 December 2021	123.957	31.425	36.705	15.206	17.876	225.169

### *Impairments*

For all impairments regarding the CGU Latin America in 2021, see Note 13. Further, there was an impairment of € 76 thousand in 2021 for other non-current tangible assets.

## 11 Leasing

### Group as a lessee

The Group leases warehouses, factory facilities, office spaces and service facilities of patient care units at various locations worldwide. The leases typically run for a period between three to fifteen years, with an option to renew the lease for an additional period after the end of the initial term. Some of the underlying rental payments are linked to local price indices. An adjustment of the rental payments is made upon an increase or decrease of the consumer price index compared to a defined baseline; the adjustment is made in the same direction and by the same percentage.

Ottobock also leases factory and IT equipment, machinery, and automobiles for its operations. Leases of equipment and machines usually have lease terms between two and six years, whereas most of automobile leases have contractual terms between two and four years. Lease agreements contain fixed lease payments. If the underlying contractual agreements are not classified as short-term leases or as low-value assets, right-of-use assets and lease liabilities are recognized. Otherwise, the Group does not recognize right-of-use assets and lease liabilities as Ottobock has elected the practical expedient of short-term leases and leases of low-value.

Information about leases for which the Group is a lessee is presented below

	Land and buildings	Technical and factory equipment and machines	Automobiles	Total
	€000	€000	€000	€000
<b>At 1 January 2021</b>	<b>161.735</b>	<b>8.655</b>	<b>8.808</b>	<b>179.198</b>
Depreciation charge for the year	-28.592	-3.860	-5.280	-37.733
Additions to right-of-use assets	35.891	6.358	5.722	47.971
Disposals of right-of-use assets	-3.450	-610	-173	-4.232
Exchange differences	2.869	92	72	3.032
Reclassifications	0	0	0	0
<b>At 31 December 2021</b>	<b>168.453</b>	<b>10.634</b>	<b>9.149</b>	<b>188.237</b>
Depreciation charge for the year	-32.629	-2.546	-5.903	-41.078
Additions to right-of-use assets	76.067	3.062	8.581	87.709
Disposals of right-of-use assets	-9.246	-914	-538	-10.698
Exchange differences	1.071	56	-4	1.123
Reclassifications	-168	0	0	-168
<b>At 31 December 2022</b>	<b>203.548</b>	<b>10.292</b>	<b>11.285</b>	<b>225.125</b>

The disposals of right-of-use assets result from changes in the lease agreements and the associated rent reduction.

In the reporting years, the following amounts were recognized in the income statement:

	2022	2021
	€000	€000
Interest on lease liabilities	4.333	3.427
Variable lease payments not included in the measurement of lease liabilities	117	838
Income from sub-leasing right-of-use assets presented in 'other revenue'	-237	-121
Expenses relating to short-term leases	893	541
Expenses relating to leases of low-value assets, excluding short-term leases of low-values assets	1.627	1.268

In the reporting periods, the following amounts were recognized in the statement of cash flows:

	<b>2022</b>	<b>2021</b>
	€000	€000
Total cash outflow for leases	42.912	40.461

In addition to cash outflows for the interest and principal portion of recognized lease liabilities, the cash outflow for leases also includes lease payments for unrecognized leases for low-value assets as well as for short-term leases. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 26.

The leases of Ottobock contain extension and termination options. Local management is responsible for managing their leases in accordance with the Group accounting policies and, accordingly, lease terms are negotiated on an individual basis containing a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide management with greater flexibility to align the Group's business needs. Some contracts have an indefinite term and only have a certain termination notice period. Therefore, the terms and conditions vary across the Group. Extension and termination options held may generally only be exercised by Ottobock, not by the lessors.

The assessment of the probability of exercising the option is based on the reasonably certain criteria according to IFRS 16. In case of changing circumstances, there will be a reassessment of exercising the options. The lease liability is therefore seen generally as the best indicator for the future cash outflows. The lease portfolio of the Group comprises the asset classes Land and Buildings, Technical and Factory Equipment and machines, and Automobiles. Merely the asset class Land and Buildings contains material leases for the Group including contractual agreed options, which were not considered in the initial assessment of the lease term as well as in the subsequent measurement due to the missing reasonably certain criteria according to IFRS 16.B34. Corresponding cash outflows will therefore not be shown in Note 24. The future cash outflows from options which were assessed as not reasonably certain amounts up to € 18.981 thousand based on for the Group defined planning scenario of up to 5 years.

For information on lease liabilities refer to Note 24.

#### *Group as a lessor*

Ottobock acts as a lessor e.g., mostly within the context of wheelchair leasing to the nursing homes and hospitals in Belgium. The Group classifies these leases as operating leases since not substantially all the risks and rewards of ownership are transferred.

*In the reporting periods, the following amounts of leased wheelchairs were recognized*

	<b>2022</b>	<b>2021</b>
	€000	€000
Technical equipment and machines	1.736	932
Right-of-use assets	231	615
<b>Total</b>	<b>1.967</b>	<b>1.547</b>

The Group recorded wheelchair income in the amount of €6.732 thousand (2021: € 5.801 thousand) in the reporting period.



## 12 Intangible assets

	Development costs	Patents, Software and Licenses	Advance Payments on intangible assets	Goodwill	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
<b>Cost</b>					
<b>At 1 January 2021</b>	<b>215.537</b>	<b>148.231</b>	<b>2.896</b>	<b>372.504</b>	<b>739.168</b>
Additions	35.701	9.924	7,488	-	53.113
Acquisition of a subsidiary (Note 6)	-	19.934	2	61.431	81.367
Disposals	-591	-7.674	-	-	-8.265
Reclassifications	-	1.972	-1.972	-	-
Effects of movements in FX rates	2.119	3.863	17	12.002	18.001
<b>At 31 December 2021</b>	<b>253.275</b>	<b>176.250</b>	<b>8.431</b>	<b>445.937</b>	<b>883.893</b>
Additions	39.931	8.240	8.089	0	56.260
Acquisition of a subsidiary (Note 6)	482	31.968	0	66.469	98.919
Disposals	-366	-901	0	0	-1.267
Reclassifications	0	5.670	-5.094	-576	0
Effects of movements in FX rates	345	2.752	22	8.976	12.095
<b>At 31 December 2022</b>	<b>293.667</b>	<b>223.979</b>	<b>11.448</b>	<b>520.806</b>	<b>1.049.900</b>

	Development costs	Patents, Software and Licenses	Advance Payments on intangible assets	Goodwill	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
<b>Amortisation and impairment</b>					
<b>At 1 January 2021</b>	<b>-87.039</b>	<b>-75,188</b>	<b>-</b>	<b>-</b>	<b>-162.227</b>
Amortisation	-18.228	-13.427	-	-	-31.655
Impairment (Note 12+ 13)	-5.095	-316	-	-4.178	-9.589
Disposals	591	7.450	-	-	8.041
Effects of movements in FX rates	-115	-1.649	-	-	-1.764
<b>At 31 December 2021</b>	<b>-110.395</b>	<b>-83.130</b>	<b>-</b>	<b>-4.178</b>	<b>-197.703</b>
Amortisation	-16.750	-21.084	-82	0	-37.916
Impairment (Note 12+ 13)	-5.215	0	0	0	-5.215
Disposals	377	526	0	0	903
Reclassification	0	0	0	0	0
Effects of movements in FX rates	-65	-1.068	-14	0	-1.147
<b>At 31 December 2022</b>	<b>-132.048</b>	<b>-104.756</b>	<b>-96</b>	<b>-4.178</b>	<b>-241.078</b>
<b>Net book value</b>					
At 31 December 2022	161.619	119.223	11.351	516.628	808.822
At 31 December 2021	142.880	93.120	8.428	441.759	686.187

### *Acquisition during the year*

Patents and licences include intangible assets acquired through business combinations. We refer to Note 6 for further information.

### *Capitalised development cost*

Included in the capitalised development costs are borrowing costs related to the development projects of € 2.263 thousand (2021: € 1.630 thousand), calculated using a capitalisation rate of 2,43% in 2022 and 2,43% in 2021.

### *Recoverability of development costs*

The recoverable amount of the intangible asset that included these development costs was estimated based on the present value of the future cash flows expected to be derived from the projects (value in use), using a pre-tax measure estimated based on the historical industry average weighted-average cost of capital in accordance with IAS 36. Due to changing market conditions, the regular review of the product portfolio and based on the recoverability assessment for each research and development project impairment losses of € 5.215 thousand (2021: € 5.019 thousand) have been recognised and presented in the research and development expenses.

### *Further Impairments*

For impairments regarding the CGU Latin America in 2021 see Note 13. Further, there is an impairment of € 46 thousand for Patents, Software and Licenses.

## **13 Goodwill**

For impairment testing goodwill acquired through business combinations are allocated to the following CGUs, which correspond to the operational regions.

### *Carrying amount of goodwill allocated to each of the CGUs*

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>MEUR</b>	<b>MEUR</b>
Western Europe	305	250
North America	189	168
Asia Pacific	15	15
Latin America	-	-
EEMEA*	8	9
<b>Goodwill</b>	<b>517</b>	<b>442</b>

\*EEMEA Eastern Europe Middle East & Africa

Goodwill is tested for impairment at least once a year and additionally when there is an indication of potential impairment. In the wake of global developments, in particular the war in Ukraine, the global economic order has changed permanently, such that as of 30 June 2022 there was an indication that assets might be impaired within the meaning of IAS 36. Accordingly, last year's impairment test was reviewed and additional scenario analyses were performed for the CGU EEMEA. The review and analyses did not indicate in any need to recognize an impairment loss as of 30 November 2022.

The Group performs its impairment test at least annually by comparing a CGU's carrying amount with the CGU's recoverable amount. The recoverable amount for all CGUs is based on the value in use of a CGU, determined by discounting the future cash flows to be generated from the continuing use of the CGU (level 3).

In 2022, no impairment losses were identified for the CGUs Western Europe, North America, Asia Pacific, Latin America and EEMEA.

In 2021, the carrying amount of the CGU Latin America, that belongs to the operating region "Rest of World", was determined to be higher than its recoverable amount of € 8.860 thousand and an impairment loss of € 6.233 thousand during 2021 was recognised. The 2021 impairment loss of € 4.178 thousand for goodwill and € 347 thousand for intangible assets (thereof € 77 thousand capitalized research and development cost and € 270 thousand concessions and licences) and € 1.708 thousand for factory and office equipment assets resulted from a decline in profitability and the expected change

in future forecasted cash flows within the next years and is included in the expenses by function. Also, the WACC for Latin America increased and appropriately reflects the risk associated with the cash flows of the CGU Latin America. It reflects the additional risk associated with generating and incurring cash flows in that particular region.

For all other CGUs, no impairment losses were identified in 2021.

*Key assumptions used in value in use calculations and sensitivity to changes in assumptions*

The calculation of value in use for all CGUs are most sensitive to the following assumptions:

*Post-tax discount rate*

The discount rate is derived using the capital asset pricing model.

*Terminal value growth rate used to extrapolate cash flows beyond the forecast period*

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

EBIT margin for the terminal value is based on the EBIT margin of each CGU of the planning year 2027.

The key assumptions used in the estimation of the value in use are set out below. The values reflect the recoverable amount as the higher of the value in use and fair value less costs to sell. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2022			2021		
	Post-tax discount rate	Terminal value growth rate	EBIT Margin Terminal Value	Post-tax discount rate	Terminal value growth rate	EBIT Margin Terminal Value
Western Europe	9,31	1,5	12,9	7,25	1,5	18,0
North America	9,21	1,5	14,1	6,99	1,5	20,0
Asia Pacific	9,55	1,5	13,5	7,61	1,5	13,8
Latin America	13,67	1,5	12,3	10,36	1,5	12,6
EEMEA	11,06	1,5	22,5	8,58	1,5	21,5

The corresponding pre-tax discount rates used are displayed in the table below.

	2022	2021
	Pre-tax discount rate	Pre-tax discount rate
Western Europe	12,41	9,67
North America	12,28	9,32
Asia Pacific	12,73	10,15
Latin America	18,23	13,82
EEMEA	14,78	11,43

*Sensitivity Analysis*

Sensitivity analysis of the key assumptions demonstrate that no reasonable and possible change of the key assumptions would lead to an Impairment. It is noted that no impairment is required in Latin America due to prior year's impairment accounted for.

## 14 Inventories

	31 December 2022	31 December 2021
	€ 000	€ 000
Raw materials	73.884	52.842
Work in progress	69.078	56.938
Finished goods	70.351	56.930
<b>Total inventories</b>	<b>213.313</b>	<b>166.710</b>

In 2022, inventories of € 346.354 thousand (2021: € 304.613 thousand) were recognised as an expense during the year and included in cost of sales.

During 2022, € 1.251 thousand (2021: € 896 thousand) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

## 15 Trade receivables and other assets

Trade receivables and other assets, which are non-interest bearing and due within one year, include net trade receivables (after impairment), receivables from affiliates and other receivables as follows.

	31 December 2022	31 December 2021
	€ 000	€ 000
Net trade receivables	188.542	168.075
Receivables from affiliates	3.105	2.522
Receivables from Government Grants	6.475	6.391
Other receivables*	2.557	3.267
<b>Trade receivables and other assets</b>	<b>200.679</b>	<b>180.254</b>

\*Other receivables mainly include insurance claim receivables (31.12.2022: € 2.034 thousand, 31.12.2021: € 3.259 thousand).

More information according to trade receivables with respect to credit exposures and impairment losses are disclosed in Note 24.3.

Other current assets comprise of the following:

	31 December 2022	31 December 2021
	€ 000	€ 000
Prepayments	23.437	20.065
VAT receivables	14.375	12.000
Vendor bonuses and travel advances	463	575
Other current tax assets	285	1.583
Miscellaneous other assets	5.791	5.061
<b>Total</b>	<b>44.351</b>	<b>39.284</b>

## 16 Cash and Cash Equivalents

	31 December 2022	31 December 2021
	€000	€000
Cash at banks	77.829	67.511
Cash in hands and cheques	1.323	72
<b>Cash and Cash Equivalents</b>	<b>79.152</b>	<b>67.583</b>

Cash and cash equivalents do not include restricted cash items which are presented as part of the other assets. Those restricted items mainly relate to rent deposits provided as collateral in favour of the lessor.

## 17 Issued capital and reserves

In all financial years, the subscribed capital of Ottobock SE & Co. KGaA was divided into 5.475.000 ordinary registered shares with no par value and a notional value of € 1,00 per share. The general partner does not have a share in Ottobock SE & Co. KGaA equity. The shares are fully paid in. Each share has one vote and accounts for the shareholder's proportionate share in the net income. All shares confer the same rights and obligations.

	31 December 2022	31 December 2021
<b>Authorised shares</b>	€ 000	€ 000
Ordinary shares of €1 each	5.475	5.475

Share Premium includes the additional amounts shareholders of Ottobock SE & Co. KGaA paid in excess of the notional value of the shares. In case the share premium is less than 10% of subscribed capital, it may only be used to cover annual or prior years losses as far as they cannot be covered by dissolution of other retained earnings of the company. As far as the share premium is in excess of 10% of the subscribed capital of the entity it may also be used to increase subscribed capital.

Share premium also include € 108.735 thousand as a result of shareholder contributions not (fully) linked to increases in subscribed capital. Premiums in accordance with Article 272 paragraph 2 No. 4 German Commercial Code are freely available.

Accumulated actuarial gains and losses on defined benefit pension plans result from changes in certain actuarial assumptions as ruled by IAS 19. The amounts included in here will not be recycled to P&L in future.

The Cash flow hedge reserve relates to the effective parts of designated cash flow hedges. The amounts included in the reserve will generally be recycled to profit or loss at the time the hedged transaction affects profit or loss. Further reference is made to Note 24.3 Financial instruments risk management objectives and policies (Hedge Accounting) and the accounting policies section in 2.3.11iii Derivative financial instruments and hedge accounting

Retained earnings include accumulated prior and current year(s) profits and losses and other comprehensive income as far as not related to other reserves separately presented and considering dividend distributions.

## 18 Distributions made and proposed

The average number of shares is 5.475 thousand. In fiscal year 2021, Ottobock SE & Co. KGaA declared and paid dividends of € 2,74 (2021: € 2,74) per share. The dividend payment amounts to € 15.000 thousand (2021: € 15.000 thousand). The dividend proposal for fiscal year 2022 also amounts to € 15.000 thousand.

## 19 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Since no dilutive potential ordinary shares exist, diluted EPS equals basic EPS.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	<b>2022</b>	<b>2021</b>
	€ 000	€ 000
Profit attributable to ordinary equity holders of the parent for basic earnings	76.436	20.102
	<b>2022</b>	<b>2021</b>
	thousands	thousands
Weighted average number of ordinary shares for basic EPS	5.475	5.475

## 20 Provisions

	<b>Assurance-type warranties</b>	<b>Personnel Expenses</b>	<b>Other</b>	<b>Total</b>
	€ 000	€ 000	€ 000	€ 000
<b>At 1 January 2022</b>	<b>14.954</b>	<b>53.182</b>	<b>11.543</b>	<b>79.679</b>
Acquisition of a subsidiary (Note 6)	0	92	142	234
Arising during the year	10.041	12.912	5.253	28.206
Utilised	-5.190	-10.119	-7.036	-22.345
Unused amounts reversed	-14.601	-20.639	-675	-35.915
Reclassification	0	-262	-857	-1.119
Currency Translation	0	-104	-49	-153
<b>At 31 December 2022</b>	<b>5.204</b>	<b>35.062</b>	<b>8.321</b>	<b>48.587</b>
Current	5.180	29.726	3.966	38.872
Non-current	24	5.336	4.355	9.715

	<b>Assurance-type warranties</b>	<b>Personnel Expenses</b>	<b>Other</b>	<b>Total</b>
	€ 000	€ 000	€ 000	€ 000
<b>At 1 January 2021</b>	<b>19.266</b>	<b>27.249</b>	<b>15.485</b>	<b>62.000</b>
Acquisition of a subsidiary (Note 6)	0	0	3.723	3.723
Arising during the year	13.249	28.867	4.993	47.109
Utilised	-10.382	-2.454	-4.757	-17.593
Unused amounts reversed	-7.219	-762	-8.532	-16.513
Currency Translation	40	282	631	953
<b>At 31 December 2021</b>	<b>14.954</b>	<b>53.182</b>	<b>11.543</b>	<b>79.679</b>
Current	10.695	45.768	4.350	60.813
Non-current	4.259	7.414	7.193	18.866

The assurance-type warranties represent the statutory warranty claims. Please see also Note 3 for significant accounting judgements and estimates regarding the warranty provision. The personnel provisions mainly consist of the Management Performance Plan (MPP) for the incentivization of executives and management. The other provisions mainly include obligations related to marketing, customer agreements and to employee retention programs.

## 21 Other liabilities

The structure of other liabilities and government grants is shown in the following table:

	31 December 2022	31 December 2021
	€ 000	€ 000
Personnel costs	64.772	63.612
Other tax liabilities (VAT, etc.)	27.503	19.732
Accruals for consultancy, audit and other fees	3.332	6.118
Other liabilities	15.656	13.058
<b>Total</b>	<b>111.263</b>	<b>102.520</b>
non-current	17.684	11.664
current	93.580	90.856

## 22 Pensions and other post-employment benefit plans

The Ottobock group has defined benefit pension plans which mainly relate to Germany, Switzerland, Belgium, Sweden and Italy, with the majority of the obligations attributable to Germany. The plans entitle a retired employee to receive an annual pension payment.

All relevant benefit plans are in Europe. In Switzerland, the employer must have its own pension institution or join an external pension institution like a foundation in order to provide employee benefits. Further, the law prescribes minimum funding requirements. In Germany, there are no legal or regulatory minimum funding requirements.

Asset-liability studies are prepared for the funded defined benefit plans at regular intervals, and the investment policy of each fund is based on the applicable study and any local legal requirements.

The defined benefit plans are administered by a Contractual Trust Arrangement (CTA) in Germany and by a foundation in Switzerland. Both are legally separated from the Group.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.



The following tables display a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

2022 changes in the defined benefit obligation and fair value of plan assets															
		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income									
	1 January 2022	Service cost	Net interest expense / income	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Net changes in the scope of consolidation	Contributions by employer	Contributions by employee	Exchange differences	31 December 2022
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Defined benefit obligation	28.580	1.528	191	1.719	(822)	-	-	(5.808)	(767)	(6.574)	-	-	180	(14)	23.069
Fair value of plan assets	(8.318)	-	(63)	(63)	(170)	779	-	979	67	1.825	-	(567)	(180)	(198)	(7.670)
Benefit liability	20.262	1.528	128	1.657	(992)	779	-	(4.828)	(700)	(4.749)	-	(567)	-	(212)	15.400

The following tables display a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

2021 changes in the defined benefit obligation and fair value of plan assets															
		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income									
	1 January 2021	Service cost	Net interest expense / income	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Net changes in the scope of consolidation	Contributions by employer	Contributions by employee	Exchange differences	31 December 2021
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Defined benefit obligation	28.248	1.299	113	1.412	(62)	-	(169)	(1.244)	50	(1.327)	-	-	141	169	28.581
Fair value of plan assets	(8.635)	-	(43)	(43)	1.170	(134)	-	-	-	(134)	-	(364)	(163)	(149)	(8.318)
<b>Benefit liability</b>	<b>19.613</b>	<b>1.299</b>	<b>70</b>	<b>1.369</b>	<b>1.108</b>	<b>(134)</b>	<b>(169)</b>	<b>(1.244)</b>	<b>50</b>	<b>(1.461)</b>	<b>-</b>	<b>(364)</b>	<b>(22)</b>	<b>20</b>	<b>20.263</b>

In Sweden, there is a reimbursement right from an endowment insurance. The fair value of the reimbursement right is deemed to be the present value of the pension obligation. The amount of the reimbursement and the pension obligation has marginally changed as a result of changes in exchange rates.

The fair values of each major class of plan assets are as follows:

	<b>2022</b>	<b>2021</b>
	€000	€000
<b>Investments quoted in active markets</b>		
Cash and cash equivalents	80	66
Equity investments	1.129	1.257
Debt instruments (e.g. bonds)	1.084	1.316
Real estate	899	820
Investment funds	2.387	2.226
Qualifying insurance policies	2.060	2.710
Others	117	-77
<b>Total</b>	<b>7.756</b>	<b>8.318</b>
	<b>2022</b>	<b>2021</b>
	€000	€000
<b>Investments unquoted in active markets</b>		
Others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The significant actuarial assumptions used in determining pension obligations for Ottobock's plans are shown below:

	<b>2022</b>	<b>2021</b>
	%	%
Discount rate	3,32	0,83
Future pension growth	2,05	1,60

A quantitative sensitivity analysis for significant actuarial assumptions on the defined benefit obligation as of 31 December is, as shown below:

<b>Assumptions</b>	<b>Future pension growth</b>		<b>Discount rate</b>	
	<b>0,25% increase</b>	<b>0,25% decrease</b>	<b>0,25% increase</b>	<b>0,25% decrease</b>
<b>Sensitivity Level</b>	€ 000	€ 000	€ 000	€ 000
<b>2022</b>	504	-707	-966	1.114
<b>2021</b>	9.512	-1.058	6.704	1.944

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonably possible changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The Group expects to pay €662 (employer: €529; employee: €133) thousand in contributions to its defined benefit plan in 2023.

As of 31 December 2022, the weighted-average duration of the defined benefit obligation was 25,5 years (2021: 25,5 years). The distribution of the timing of benefit payments to the employees was, as shown below:

	<b>2022</b>	<b>2021</b>
	€ 000	€ 000
Within the next 12 months (next annual reporting period)	561	517
Between 2 and 5 years	5.365	3.132
Between 5 and 10 years	5.942	7.246
<b>Total expected payments</b>	<b>11.868</b>	<b>10.895</b>

In 2022, Ottobock incurred 8.988 thousand (2021: € 6.593 thousand) in expenses related to defined contribution plans.

## 23 Trade and other payables

Trade and other payables are due within one year. At the reporting date € 1.136 thousand of the € 92.613 thousand balance account are trade payables to related parties (31.12.2021: € 4.616 thousand of € 94.199). Please refer to Note 28.

## 24 Financial Instruments

### 24.1 Structure of financial assets and financial liabilities

The following table shows the structure of financial assets:

	<b>31 December 2022</b>	<b>31 December 2021</b>
	€ 000	€ 000
Cash and short-term deposits	79.152	67.583
Trade and other receivables	200.679	180.254
Other financial assets	41.482	18.546
<b>Total financial assets</b>	<b>321.313</b>	<b>266.384</b>

Trade and other receivables are disclosed in Note 15 and Cash and short-term deposits are disclosed in Note 16.

The table provides an overview of the maturity structure of the other financial assets for the reporting dates.

	31 December 2022	31 December 2021
	€ 000	€ 000
<b>Non-current other financial assets</b>		
Equity instruments	1.044	2.502
Rent deposits	3.547	2.798
Other financial assets	1.720	977
Derivatives	24.612	35
	<b>30.923</b>	<b>6.312</b>
<b>Current other financial assets</b>		
Rent deposits	310	85
Derivatives	3.686	2.553
Other financial assets	6.562	9.597
	<b>10.558</b>	<b>12.235</b>
<b>Total other financial assets</b>	<b>41.482</b>	<b>18.546</b>

Derivatives values mainly increased in interest rate instruments following a steep increase in EURIBOR during 2021 and 2022. While the interest instruments still showed a negative value in 2021 the further development led to derivative assets in 2022.

Equity instruments include non consolidated investments in associates and shares in participations that are accounted for under IFRS 9.

The following table shows the structure of financial liabilities:

	31 December 2022	31 December 2021
	€ 000	€ 000
Trade and other payables	92.613	94.199
Payables from reverse factoring	69.745	52.737
Interest bearing loans and borrowings	960.057	763.258
Lease liabilities	231.068	193.878
Derivatives	15.685	39.927
Other financial liabilities	60.221	61.433
<b>Total financial liabilities</b>	<b>1.429.389</b>	<b>1.205.432</b>

Trade Payables are separately disclosed in Note 23.

#### *Payables from reverse factoring*

The Ottobock Group participates in a reverse factoring program to improve its working capital structures. This is intended in particular to simplify and automate the purchase-to-pay process and optimize payment targets. Related liabilities are reported separately in the balance sheet, as the original trade accounts payable have already been settled by the payment service provider, thereby creating a new liability for the payment service provider through the establishment of a new debt relationship with Ottobock. All liabilities subject to the reverse factoring program are reported as current. Related payments are part of the cash flow from operating activities.

#### *Interest bearing loans and borrowings*

Ottobock's debt structure is supported by several pillars. Bonded loans of € 270.000 thousand were drawn at the end of 2022 (31.12.2021: € 346.000 thousand) consisting of several tranches with maturities between 2024 and 2026. A revolving facility agreement in the amount of € 660.000 thousand (31.12.2021: € 660.000 thousand) with a maturity until 2026 adds to the debt structure as well. Additionally, a promotional loan from the Europäische Investitionsbank (EIB) is used to finance research

and development projects. The loan has a nominal amount of € 100.000 thousand and has a final maturity in 2026.

These loan agreements cover both the short-term and the medium-term liquidity needs of Ottobock. Day-to-day fluctuations in capital requirements are handled with revolving short-term loans. In addition, a small portion of our borrowing needs is financed through lines of credit.

€ 565.000 thousand of the revolving facility agreement had been used at the end of 2022 (31.12.2021: € 295.000 thousand). The lending banks do not require mortgage-backed collateral. However, our financing agreements require us to comply with financial covenants. For additional disclosures on financial covenants see Note 4.

As of 31 December 2022, the Ottobock Group had total available credit lines of € 95.000 thousand from the revolving facility (31.12.2021: € 365.000 thousand).

The lending banks do not demand any mortgage collateral. However, some of our financing agreements require us to comply with a financial covenant (net debt to EBIDTA as defined in the financing agreements). In calculating such figure, certain items with a specific character are eliminated in accordance with the contractual definition. A maximum of 10% of EBITDA may be deducted. In the context of preparation for a possible IPO, the upper limit of 10% is not appropriate. Therefore, the corresponding definition was adjusted in December 2021. As a result, all expenses in connection with preparation for a possible IPO are deducted. For the other expenses with a specific character, the upper limit of 10% continues to apply.

The table provides an overview of the maturity structure of the other financial liabilities for the reporting:

31.12.2022			Measurement Categories		"No category"	Fair Value		
€ 000	Category	Carrying amount	At Amortised Cost	At Fair Value through P&L	Hedging instruments (FV) / Leases	Level 1	Level 2	Level 3
<b>Financial assets</b>								
Cash and short-term deposits	AC	79.152	79.152					
Trade and other receivables	AC/FVTPL	200.679	200.679					
- related to a Factoring-Program	FVTPL	0						
- not related to a Factoring-Program	AC	188.542	188.542					
- receivables from affiliates and other receivables	AC	12.137	12.137					
Derivatives	FVTPL/NA	28.298		24.745	3.553		28.298	
Thereof:								
Designated as hedging instruments					3.553		3.553	
Other financial assets	AC/FVTPL	12.984	12.194	790				790
<i>Thereof:</i>								
Investments	FVTPL	790		790				790
Finance lease receivables	NA	1.230			1.230			
<b>Financial liabilities</b>								
Trade and other payables	AC	92.613	92.613					
Payables from reverse factoring	AC	69.745	69.745					
Interest bearing loans and borrowings	AC	960.057	960.057				957.994	
Lease liabilities	n/a	231.068			231.068			
Derivatives	FVTPL	15.685		15.685			15.685	
Other financial liabilities	AC/FVTPL	60.221	35.445	24.776				24.776
<i>Thereof aggregated according to IFRS 9 classification category:</i>								
- Financial Assets measured at Amortised Cost (AC)			292.025					
- Financial Assets measured at Fair Value through Profit and Loss (FVTPL)				25.535				
- Financial Liabilities measured at Fair Value through Profit and Loss (FVTPL)				40.461				
- Financial Liabilities measured at Amortised Cost (FLAC)			1.157.860					
Lease Liabilities					231.068			

31.12.2021			Measurement Categories		"No category"	Fair Value		
€ 000	Category	Carrying amount	At Amortised Cost	At Fair Value through P&L	-Hedging instruments (FV) / Leases	Level 1	Level 2	Level 3
<b>Financial assets</b>								
Cash and short-term deposits	AC	67.583	67.583					
Trade and other receivables	AC/FVTPL	180.254	180.254					
- related to a Factoring-Program	FVTPL							
- not related to a Factoring-Program	AC	168.075	168.075					
- receivables from affiliates and other receivables	AC	12.179	12.179					
Derivatives	FVTPL	2.588		2.588			2.588	
Other financial assets	AC/FVTPL	15.959	13.457	2.285				2.285
Thereof:								
Investments	FVTPL	2.285		2.285				2.285
Associates	AC	217	217					
<b>Financial liabilities</b>								
Trade and other payables	AC	94.199	94.199					
Payables from reverse factoring	AC	52.737	52.737					
Interest bearing loans and borrowings	AC	763.258	763.258				747.585	
Lease liabilities	n/a	193.878						
Derivatives	FVTPL	39.927		39.927			39.927	
Other financial liabilities	AC/FVTPL	61.433	35.574	25.859				25.859
Thereof aggregated according to IFRS 9 classification category								
- Financial Assets measured at Amortised Cost (AC)			261.294					
- Financial Assets measured at Fair Value through Profit and Loss (FVTPL)				4.873				
- Financial Liabilities measured at Fair Value through Profit and Loss (FVTPL)				65.786				
- Financial Liabilities measured at Amortised Cost (FLAC)			945.768					



*Cash and short-term deposits, trade and other receivables, trade and other payables, other financial assets and liabilities (AC)*

The management assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables, other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. According to IFRS 7.29 the Group does not disclose fair value of group lease liabilities.

*Financial liabilities (AC)*

The valuation model to determine the fair value considers the present value of expected payments, discounted using a risk-adjusted discount rate.

*Factoring (FVTPL)*

Trade receivables at FVTPL are part of a factoring program classified within the business model “other” for which the primary objective is realising cash flows through sale. Given the short period from recognition to sale of such receivables the stated amounts as of the reporting dates are low or zero. Disposals amounted to € 33.104 thousand as of 31 December 2022 (31 December 2021: € 30.017 thousand).

*Investments and Financial Liabilities (FVTPL)*

Other Financial Liabilities (FVTPL) result from Business acquisitions and relate to contingent payments.

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through monitoring and by placing limits on individual and total equity instruments.

The Level 3 fair value measurement is performed using established company valuation methods, Ottobock measures and accounts for investments at historical cost in case this is the best representative for fair values Level 3 and if the conditions for the historical cost simplification according to IFRS 9.B5.2.4 are met.

The fair value level 3 classified as financial assets are investments in smaller businesses. The level 3 classified financial liabilities are deferred considerations.

*Fair value measurements using significant unobservable inputs (level 3)*

The fair value of other financial liabilities (contingent liabilities from business combinations) in level 3 has been determined by using the relevant valuation method required by the respective agreement (discounted cash flow method, EBITDA multiple, revenue multiple). This involves the market data and other parameters required for measurement being compiled or validated. Non-observable input parameters are reviewed based on internally available information and updated if necessary.

In principle, the unobservable input parameters relate to the following parameters: the estimated EBITDA, estimated revenues and estimated free cash flows, subject to the respective valuation method. The weighted average cost of capital (WACC), that has been used in the valuations, lies within a range between 9,21% – 9,31% (previous year 6,90% – 8,15%). With exception of the WACC, there is a positive correlation between the input factors and the fair value. Due to materiality, no detailed figures on the other input parameter are disclosed.

The following table presents the changes in level 3 instruments for financial assets:

€000	01.01.- 31.12.2022	01.01.- 31.12.2021
<b>Balance at the beginning of the period</b>	<b>2.285</b>	<b>1.212</b>
Additions	-	1.363
Disposals		-366
Reclassification due to change in consolidation scope	-1.582	-
Foreign currency effects	87	75
<b>Balance at the end of the period</b>	<b>790</b>	<b>2.285</b>
<b>Total gains or losses for the period</b>		
Recognized through profit and loss	87	267

The following table presents the changes in level 3 instruments for financial liabilities:

€000	01.01.- 31.12.2022	01.01.- 31.12.2021
<b>Balance at the beginning of the period</b>	<b>-25.859</b>	<b>-22.277</b>
Additions due to business combinations	-1.403	-12.900
Revaluation of fair value	2.486	9.318
<b>Balance at the end of the period</b>	<b>-24.776</b>	<b>-25.859</b>
<b>Total gains or losses for the period</b>		
Recognized through profit and loss	2.486	9.318
Recognized in other comprehensive income	-	275

Further information on equity investments and related financial instruments is included in Note 6 - Business combinations and acquisition of non-controlling interests.

#### *Derivatives (FVTPL and Cash Flow Hedges)*

For foreign exchange forward contracts the fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies. For interest rate swaps the fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates and interbank borrowing rates using common yield curves. As of December 31, 2022 Interest rate derivatives contributed € 24.406 thousand to assets and € 114 thousand to derivative liabilities. The remainder of derivatives therefore reflects foreign exchange derivatives. Information on (Interest rate-) Cash Flow Hedges is available at Note 24.3.

### Net Gains and Losses

The following income and expenses from financial instruments were recognised in the consolidated income statement:

	<b>Income and expenses from interest</b>	
€ 000	<b>2022</b>	<b>2021</b>
Financial assets (AC)	673	2.874
Financial assets (FVTPL)	1.385	8.479
Financial liabilities (AC)	-17.733	-26.571
Financial liabilities (FVTPL)	-9.062	-5.245
	<b>Other net gains and losses</b>	
€ 000	<b>2022</b>	<b>2021</b>
Financial assets (AC)	<b>85</b>	4.012
Financial assets (FVTPL)	<b>50.270</b>	0
Financial liabilities (AC)	<b>0</b>	-5.702
Financial liabilities (FVTPL)	<b>0</b>	-11.015 88:
	<b>Total net gains and losses</b>	
€ 000	<b>2022</b>	<b>2021</b>
Financial assets (AC)	758	6.886
Financial assets (FVTPL)	51.655	8.479
	-17.733	
Financial liabilities (AC)		-20.869
Financial liabilities (FVTPL)	-9.062	-16.260

Interest income and expense from financial instruments is reported in the financial result (Note 8.3). The total net gains and losses on financial assets and liabilities at fair value through profit and loss relates primarily to derivatives. In addition to interest expenses from liabilities to banks and other financial debt, the net gains and losses mainly comprise the foreign currency valuation of financial assets and liabilities as well as impairment results.

## 24.2 Financial liabilities

### *Financial Liabilities*

The table below provides an overview of the maturity structure of the financial liabilities for the reporting dates.

<b>31 December 2022</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
€ 000				
Interest bearing loans and borrowings	23.738	936.319	-	960.057
Trade and other payables	92.613	-	-	92.613
Reverse Factoring	69.745	-	-	69.745
Derivatives	14.650	1.035	-	15.685
Lease liabilities	37.546	103.118	90.404	231.068
Other financial liabilities	23.839	32.409	3.973	60.221
<b>Total Financial Liabilities</b>	<b>262.131</b>	<b>1.072.881</b>	<b>94.377</b>	<b>1.429.389</b>

<b>31 December 2021</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
€ 000				
Interest bearing loans and borrowings	99.635	663.623	-	763.258
Trade and other payables	94.199	-	-	94.199
Reverse factoring	52.737	-	-	52.737
Other financial liabilities	26.278	35.154	-	61.433
Derivatives	15.225	18.279	6.424	39.927
Lease liabilities	34.353	89.797	69.727	193.878
<b>Total Financial Liabilities</b>	<b>322.427</b>	<b>806.853</b>	<b>76.151</b>	<b>1.205.432</b>

The following table shows a reconciliation of the changes in debt with the cash flow from financing activities. Please refer for further information about “Other Changes” in Retained Earnings to Consolidated statements of changes in equity and for further information about “Other Changes” in Lease Liabilities to Note 11.

€ 000	Interest-bearing loans and borrowings	Lease Liabilities	Total
<b>1 January 2022</b>	<b>763.258</b>	<b>193.878</b>	<b>957.136</b>
<b>Changes from financing cash flows</b>	<b>174.140</b>	<b>-42.865</b>	<b>131.275</b>
Proceeds from taking out loans	340.000		340.000
Payments for the redemption of loans	-146.000		-146.000
Interest paid	-19.963	-4.242	-24.205
Repayments IFRS 16		-38.623	-38.623
Short term bank overdrafts	103		103
<b>Non-cash changes</b>	<b>22.659</b>	<b>80.054</b>	<b>102.713</b>
New leases		72.894	72.894
Interest expense	22.727	4.333	27.060
Other changes	-68	2.827	2.759
<b>31 December 2022</b>	<b>960.057</b>	<b>231.068</b>	<b>1.191.124</b>

€ 000	Interest-bearing loans and borrowings	Lease Liabilities	Total
<b>1 January 2021</b>	<b>716.927</b>	<b>181.576</b>	<b>898.503</b>
<b>Changes from financing cash flows</b>	<b>22.888</b>	<b>-40.461</b>	<b>-17.573</b>
Proceeds from taking out loans	326.000		326.000
Payments for the redemption of loans	-287.000		-287.000
Interest paid	-22.239	-3.427	-25.666
Repayments IFRS 16		-37.034	-37.034
Short term bank overdrafts	6.127		6.127
<b>Non-cash changes</b>	<b>23.411</b>	<b>52.762</b>	<b>76.173</b>
New leases		47.971	47.971
Interest expense	19.171	3.427	22.597
Other changes	4.240	1.354	5.595
<b>31 December 2021</b>	<b>763.258</b>	<b>193.878</b>	<b>957.103</b>

## 24.3 Financial instruments risk management objectives and policies

The Ottobock Group is exposed to market risks, credit risk and liquidity risk. The Group's Treasury oversees the management of these risks and advises on these financial risks for the Group. All derivative activities for risk management purposes are carried out by group treasury for the group-wide risks. Corresponding policies describe the separation of duties and the strategies for hedging. Within the framework of these policies, there are defined key figures and corresponding risk budgets. It is Ottobock Group's policy that no trading in derivatives for speculative purposes may be undertaken.

### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. As a result of its businesses and the global nature of its operations, Ottobock is exposed in particular to market risks from changes in foreign currency exchange rates as well as interest rates. If these market risks materialize, they could adversely affect Ottobock's profitability, liquidity and capital resources and financial position.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. In doing so, Ottobock

is not exposed to any concentration risks.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

As of 31.12.2022 total drawn, committed credit lines amounted to EUR 935m.

Of this amount EUR 588,5m is financed fixed (including (economical) hedges and hedge accounting and EUR 346,5m is financed floating (unhedged). The fixed-interest structure results either directly from the financing or from a corresponding interest rate hedge. Loans amounting to MEUR 55,5 to be repaid in 2024 and 2026 are agreed at fixed rates which vary from 2,2% to 2.4%. These fixed rate instruments fair value is EUR 2,1 Mio lower than their carrying amount. Further loans are Euribor-based plus margin. Their carrying amount therefore approximates the fair value of these loans.

Weighted average maturity of the committed credit lines is 3,0 years.

The Group is exposed to interest rate risks, mainly in the euro zone. The interest rate risks are managed as part of the interest rate management activities. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. For the debt position in euros a maximum variable percentage is set on an annual basis. To achieve this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. There were no significant fluctuations in the course of the reporting year.

The Ottobock Group is assessing the impact of the alternative reference interest rates on existing IBOR-based contracts. In July 2019, the Financial Services and Markets Authority (FSMA) granted approval for Euribor in accordance with the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor for both existing and new contracts, which is why the Group expects Euribor to remain as a reference interest rate for the foreseeable future. Therefore, the reform of the Euribor will not have any impact on the Group for the time being.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7 since 2022. Prior, a cash-flow-at-risk was internally used. The switch to sensitivity analysis in line with IFRS 7 is due to implementation of cash flow hedge accounting and thereby uses synergies in derivative measurement for accounting and related notes. The sensitivities show the effects of changes in market interest rates on interest payments, interest income and expense, other income components, and, if appropriate, shareholders' equity of recognized financial instruments. The interest rate sensitivity analyses are based on the following assumptions: Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7. Changes in the market interest rate regarding interest rate derivatives (interest rate swaps) that are not part of a hedging relationship as set out in IFRS 9 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations. Fair value changes of derivatives designated in a cash flow hedge affect equity to the extent these hedging relationships are effective and the hedged transactions are still expected to occur. Currency derivatives are not directly exposed to interest rate risks and therefore do not affect the interest rate sensitivities disclosed.

If the market interest rates had been 100 basis points higher at December 31, 2022, profit or loss before taxes would be € 36.270 thousand higher (31 December 2021: € 13.186 thousand). Equity would have changed by € 10.103 thousand (pre taxes) due to interest rate related cash flow hedges (2021: no effects as hedge accounting started in 2022). If the market interest rates had been 100 basis points lower at 31 December, 2022, profit or loss before taxes would be lower by € 13.623 thousand (31 December 2021: € 6.894 thousand). Equity effects from hedge relationships would be lower by € 3.628 thousand. The hypothetical effects on profit or loss primarily result from interest rate derivatives, and from non-derivative financial liabilities recognized in the financial statements. Please note that due to the included floors in the variable financial liabilities the shown effect is one-sided. Potential effects from interest rate derivatives are partially balanced out by the contrasting performance of non-derivative financial instruments.

#### *Foreign currency risk*

As an enterprise with worldwide operations, the Group conducts business in a variety of currencies, from which currency risks arise. In order to hedge currency risks, the Group holds, as at 31 December 2022, derivative financial instruments mostly in the form of forward currency contracts and currency

swaps.

As part of the implementation of the risk management strategy, the extent to which risk exposures should be hedged is decided at regular intervals. The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they are denominated in the same currency and have the same maturities.

The Group measures currency risk using a sensitivity analysis for financial instruments recognized in the financial statements.

Hedging measures are derived from a cash-flow-at-risk model. The leading key figure is cash-flow-at-risk, which is a risk measure on cash flows from the underlying business. Further, the value-at-risk measures the risk of negative market value potentials. In addition to both indicators, at least 64% of the exposure of the following 12 months is hedged.

At the end of the reporting period, the overall economic currency exposure – in each case for the following year and determined by aggregating the individual currency exposures based on their absolute amount – was as follows: 31 December 2022: € 288.000 thousand (31 December 2021: € 279.000 thousand), thereof USD 121.884 thousand related to USD – which is the most relevant currency to Ottobock. Economic currency exposures include long and short positions amounting to € 356.000 thousand (31 December 2021: € 298.000 thousand). The potential negative profit and loss impact for the Group for the following year resulting from unfavorable changes in exchange rates, measured on the basis of the sensitivity analysis of the recognized financial instruments in foreign currency under an FX-rate change of -10% would be €33.269 thousand while an improvement of FX-rates of 10% in favor of Ottobock would increase earnings by € 3.536 thousand. Those represent a (non-designated) nominal of (net) €151.453 thousand while the USD related items amount aggregate to a nominal of USD 95.150 thousand as of the reporting date.

#### *Hedge Accounting*

Ottobock holds interest rate swaps for risk management purposes that are partly designated in cash flow hedging relationships starting 2022. The interest rate swaps have floating legs that are indexed to EURIBOR. No hedge accounting relationship was ended early in the periods presented. For designated interest rate hedges the economic relationship between the hedged item and the hedging instrument is determined by comparing the nominals for the hedged risk designated with the hedging instruments nominal as far as designated, their duration, the reset dates and the reference rate being designated. Hedge designations relating to the EURIBOR component of variable rate loans use a hedge ratio of 100% (1:1) as the critical terms generally match.

The hedging instruments' major characteristics are as follows:

**Nominal and carrying amounts of derivative financial instruments in hedging relationships**

31 December 2022				
Nominal Amount		Carrying amount		
		Financial assets	Financial liabilities	Change in value of the hedging instruments in the reporting period for determining ineffectiveness
€ 000				Disclosure of the hedging instruments in the statement of financial position
<b>Cash flow hedges</b>				Other financial assets/ financial liabilities
Interest rate risk				
EURIBOR	160.000	3.203	114	3.089

Interest rate swaps not designated in hedge accounting relationships have the following carrying amounts as of 31 December 2022 and 31 December 2021:

<u>Interest rate derivatives not designated (€ 000)</u>	<u>Assets</u>	<u>Liabilities</u>
<b>31 December 2022</b>		
Nominal amount	373.000	
Net carrying amounts	21.203	-
<b>31 December 2021</b>		
Nominal amount	373.000	
Net carrying amounts	103	-24.498



The profile of the timing of the nominal amount of hedging instruments designated and related average rates as of period end is as follows:

Cash Flow Hedges	Maturity				
			< 1 year	2-5 years	>5 years
Interest rate risk - EURIBOR					
Interest rate swaps					
Nominal		160.000	-	40.000	120.000
Average fixed interest rate				2,99%	2,07%

Related hedged items show the following:

#### Disclosures on hedged items in hedging relationships

€000		Change in the fair value of the hedged items for determining ineffectiveness in the reporting period	Balance of amounts recognized in other comprehensive income relating to hedged risk (existing hedging relationships)	Balance of amounts recognized in other comprehensive income relating to hedged risk (terminated hedging relationships)	Presentation of the hedged items in the statement of financial position
Cash flow hedges	2022	-3.553	3.553	0	Financial Liabilities
	2021	-	-	-	N/A

Gains / losses from rom hedge accounting developed a follows:

**Gains/losses from hedge accounting  
(Cash flow hedges)**

		Hedge ineffectiveness recognized in profit or loss	Changes in fair value recognized directly in other comprehe nsive income	Amounts reclassified to profit or loss from other comprehensive income due to occurrence of the hedged items		Total change in other comprehensiv e income
				designated items	de- designated items	
€ 000						
Interest rate risk	2022	15	3.675	122	0	3.553
	2021	0	0	0	0	0
<b>Balance at 31 December 2022</b>			3.553			

Reclassified amounts from effective hedges are presented in interest expenses in the statement of profit or loss while ineffective parts are part other financial income or expense.

*Credit risk*

Credit risk represents the risk of financial loss if a debtor is unable to fulfill its contractual obligations in respect of a financial instrument. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer might be assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Investments of surplus funds (if any) are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits depend on the rating grade. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for financial instruments as of the relevant financial reporting days are the carrying amounts as illustrated in Note 24.1. Except for certain letters of credit there are no collaterals or other credit enhancements in place.

At Ottobock the main credit risk results from trade receivables. For trade receivables, the Group applies a *simplified approach* in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established an impairment model which is based on historical overdues as well as credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant parts of the transactions are concluded with institutional customers, which in combination with the health care sector results in an overall low credit risk. Based on historical aging structures as well as historical write-offs (defaults) for the previous twenty-four months. The calculation of the recovery rate is based on the risk classification of two portfolios (public and private) and a ratio of historical impairments vs. receivables overdue respectively.

The following table provides information about the trade receivables past due by time bucket as well as associated loss allowances as of 31 December 2022 and 2021.

<b>31 December 2022</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
€ 000		
Current (not past due)	108.793	
1-90 days past due	47.168	
More than 90 days past due	48.617	
<b>in Total*</b>	<b>204.578</b>	
Thereof credit impaired	29.914	10.526
Thereof expected credit losses	174.664	5.510
<b>in Total</b>	<b>204.578</b>	<b>16.036</b>
<b>Net carrying amount</b>		<b>188.542</b>

  

<b>31 December 2021</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
€ 000		
Current (not past due)	112.579	
1-90 days past due	35.843	
More than 90 days past due	39.230	
<b>in Total*</b>	<b>187.652</b>	
Thereof credit impaired	17.842	11.619
Thereof expected credit losses	169.810	7.958
<b>in Total</b>	<b>187.652</b>	<b>19.577</b>
<b>Net carrying amount</b>		<b>168.076</b>

With respect to the 90-day limit for a default event specified by the IASB as a rebuttable presumption, Ottobock has analysed historical defaults as well as historical loss rates respectively. The data history shows no indication for recurring default events, especially up to 360 days past due. Additionally, the historical loss rate – the ratio of historical losses and historical revenues – is very low. If the default criterion were applied earlier (e.g. from 90 days overdue), the booked loss allowances would materially overestimate the actual losses incurred. Therefore, Ottobock will apply the following definition of a default event:

a default is generally considered to have occurred if a contractual partner has outstanding receivables that are more than 360 days overdue.

If it has not been possible to collect the contractual payments and it is assumed that they cannot be recovered.

A recurring backtesting is applied to validate all assumptions and historical data respectively.

Trade receivables are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations.

Changes in loss allowances are presented in selling and distribution expenses.

The loss allowances on trade accounts receivable developed as follows:

€ 000	<b>2022</b>	<b>2021</b>
<b>Loss allowances as of 1.1.</b>	<b>19.577</b>	<b>21.126</b>
Impairment changes	-3.541	-1.549
<b>Loss allowances as of 31.12.</b>	<b>16.036</b>	<b>19.577</b>

The above impairment losses solely relate to receivables arising from contracts with customers.

According to the *general approach*, all financial assets are allocated to stage 1 with default events which are possible within the next 12-months. Within this approach Ottobock calculates a probability-weighted estimate of the present value of expected default for loans to third parties as well as cash and other short-term deposits. For all other financial assets, a historical loss rate is used. At year end there were no material impairments for financial assets using the general approach.

With regard to financial derivatives the Group enters into derivative transactions under International

Swaps and Derivatives Association (ISDA) master netting agreements. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements.

<b>31 December 2022</b>	<b>Gross amounts of financial instruments in the statement of financial position</b>	<b>Related financial instruments that are not offset</b>	<b>Net amount</b>
€ 000			
<b>Financial Assets</b>			
Interest and forward exchange contracts	28.298	13.422	14.876
<b>Financial Liabilities</b>			
Interest and forward exchange contracts	15.685	13.422	2.263

<b>31 December 2021</b>	<b>Gross amounts of financial instruments in the statement of financial position</b>	<b>Related financial instruments that are not offset</b>	<b>Net amount</b>
€ 000			
<b>Financial Assets</b>			
Interest and forward exchange contracts	2.588	2.443	145
<b>Financial Liabilities</b>			
Interest and forward exchange contracts	39.927	2.443	37.484

### *Liquidity risk*

Generally, liquidity risk constitutes the risk that a company will be unable to meet its obligations resulting from financial liabilities settled in cash or other financial assets. Permanent solvency is ensured, and refinancing costs are continuously optimised as part of central financial management. To ensure solvency at all times, the liquidity management of Ottobock is centralised in Group Treasury

In managing the liquidity risk the Group monitors not only cash and cash equivalents, but also the broader free liquidity, which also includes funds available at short notice. In addition to the absolute amount of the lines, a restriction may also be imposed on any key figures that must be adhered to (covenants). Both factors are continuously monitored. The respective tighter limiting factor determines the free liquidity. In order to identify future liquidity requirements, short-term disposition is carried out in addition to strategic and medium-term liquidity planning. Planning is based on an indirect cash flow method. The disposition is carried out with system support, whereby recurring cash flows are supplemented by irregularly occurring cash flows with some magnitude, such as investments. In addition, the effects of major investment projects on the financing and liquidity ratios are simulated and monitored.

A liquidity risk also exists in principle with regard to liabilities with extended payment terms (reverse factoring) which was started in 2021. However, noting that the volume of reverse factoring transactions is spread to some banks the liquidity risk involved is considered negligible. As of December 31, 2022 liabilities related to reverse factoring amount to € 69.745 thousand (2021: € 52.737 thousand)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	<b>Book value</b>	<b>Total Cashflows</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
<b>31 December 2022 (€ 000)</b>					
Interest-bearing loans and borrowings	960.057	-1.048.672	-17.438	-1.031.235	-
Lease liabilities	231.068	-262.192	-42.556	-119.035	-100.601
Trade and other payables	92.613	-92.613	-92.613	-	-
Payables from reverse factoring	69.745	-69.745	-69.745	-	-
Other financial liabilities	60.221	-60.221	-23.839	-36.382	-
<b>Non-derivative financial liabilities</b>	<b>1.413.704</b>	<b>-1.533.443</b>	<b>-246.191</b>	<b>-1.186.652</b>	<b>-100.601</b>
<b>Derivatives</b>	<b>15.685</b>	<b>-21.596</b>	<b>-14.247</b>	<b>-6.706</b>	<b>-644</b>
	<b>Book value</b>	<b>Total Cashflows</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
<b>31 December 2021 (€ 000)</b>					
Interest-bearing loans and borrowings	763.258	-851.692	-73.261	-778.430	-
Lease liabilities	193.878	-208.995	-36.453	-97.792	-74.751
Trade and other payables	94.199	-94.198	-94.198	-	-
Payables from reverse factoring	52.737	-52.737	-52.737	-	-
Other financial liabilities	61.433	-61.433	-26.278	-35.154	-
<b>Non-derivative financial liabilities</b>	<b>1.165.504</b>	<b>-1.269.056</b>	<b>-282.929</b>	<b>-911.376</b>	<b>-74.751</b>
<b>Derivatives</b>	<b>39.927</b>	<b>-47.697</b>	<b>-14.027</b>	<b>-26.363</b>	<b>-7.307</b>

Undiscounted cashflows from lease liabilities recognized at the reporting date develop as follows in a yearly sequence:

	<1 year	Year 2	Year 3	Year 4	Year 5	> Year 5
31 December 2022	-42.556	-37.108	-31.917	-27.845	-22.165	-100.601
31 December 2021	-36.453	-31.249	-25.869	-21.936	-18.737	-74.751

## 25 Government grants

Ottobock receives government grants to compensate for Research and Development (R&D) expenses especially in Germany and Austria. Fundings are provided for research and further development costs of new and existing complex prostheses that e.g. additionally contain digital components. Investment grants, mainly affecting a German subsidiary are released through profit and loss according to the useful life and depreciation of the funded assets. The non-amortized part of these grants are presented under other non-current liabilities on the balance sheet. As of 31 December 2022 the deferred balance sheet position amounted € 810 thousand (2021: € 1.557 thousand) whereas the newly received investment grants during the year amounted € 0 thousand (2021: € 63 thousand).

Expense-related grants, mainly affecting research expenses from an Austrian subsidiary, are recognized within profit or loss in the accounting period the expenses incurred and are deducted in reporting the related expense according to IAS 20.29. Those grants are recognised as other current

assets until related payments are received. As of 31 December 2022 the Group presents other current assets for expense-related grants in amount of € 6.475 thousand (2021: € 6.391 thousand) and received R&D compensation amounted € 3.259 thousand during the year (2021: € 4.615 thousand). The review and decision of submitted applications for expense-related grants by the relevant domestic and foreign authorities generally is conducted after the reporting date and the respective consolidated financial statement's audit.

## **26 Commitments and contingencies**

Contingent liabilities as of 31 December 2022 amounted to € 56.764 thousand (2021: € 8.610 thousand reported at nominal values. They mainly consist of rental guarantees given to landlords and bank guarantees given to customers for tender business activities. Based on the strong financial position of this company, the risk of avallment is considered low.

As of 31 December 2022 the Group incurred purchase commitments of EUR 65.663 thousand (2021: € 49.860 thousand), capital expenditure obligations of € 15.782 thousand (2021: € 3.792 thousand) and other future obligations of EUR 105.903 thousand (2021: € 37.303 thousand).

For commitments and contingencies related to acquisitions reference is made to Note 6 "Business combinations and acquisition of non-controlling interests".

## **27 Share-Based Payments**

At the beginning of the year 2019, Ottobock established a Management Performance Plan (MPP) for the incentivisation of its senior executives and management. In the MPP, Ottobock grants Performance Share Units (PSUs), which entitle the participants to receive a cash payment from the Company. The amount of cash payment is determined based on the increase of the equity value of Ottobock between grant date and the time of settlement. The PSUs vest fully or partly in the case of an exit event (i.e. an IPO or trade sale), thereof 32.5% vest due to the service and 67.5% depend on fulfilling partly or fully a performance condition. One third of the granted PSUs vest upon the occurrence of an exit event. The vesting of the remaining portion is depending on the development of the company value since Grant Date. According to IFRS 2 this condition shall be considered when estimating the fair value at every reporting date. Therefore, the fair value has been measured using a Monte Carlo Simulation, considering the terms and conditions on which the PSU were granted. The expenses for the MPP are linearly distributed over the estimated length until the exit event. Considering fair value changes resulting in dissolution of related provisions the pre tax earnings were affected by € 20.639 thousand (2022), and € -25.481 thousand (2021). As of 31 December 2022, the respective provision amounts to € 24.924 thousand (31 December.2021: € 45.563 thousand).

## **28 Related party disclosures**

Note 5 provides information about the Group's structure, including details of subsidiaries and the holding company. The immediate holding company of the Ottobock SE & Co. KGaA is Näder Vermögensverwaltungs GmbH, Duderstadt, which owns 80% of limited partnership shares. Satyr Rytas 2 GmbH & Co. KG owns the remaining 20% of limited partnership shares.

The ultimate controlling party is Prof. Hans Georg Näder, whereas ultimate holding company is Näder Holding GmbH & Co. KG, which also controls the Ottobock Management SE, the general partner of the Company.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amounts owed by related parties*</b>	<b>Amounts owed to related parties*</b>
		€ 000	€ 000	€ 000	€ 000
<b>Entities with control over the Group</b>	31 December 2022	278	134	84	6
	31 December 2021	292	16	34	0
<b>Key management personnel of the Group</b>	31 December 2022	64	1	46	0
	31 December 2021	142	0	13	0
<b>Other related parties**</b>	31 December 2022	1.750	27.175	1.741	3.424
	31 December 2021	1.341	28.883	921	5.465
<b>Associates</b>	31 December 2022	330	0	995	0
	31 December 2021	230	0	1511	96

\*The amounts are classified as trade receivables and trade payables, respectively (see Notes 15 and 23). Further "amounts owed to related parties" do not include key management personnel compensation that is displayed in the table below.

\*\*"Other related parties" are related parties that are controlled by the same ultimate controlling party, Prof. Hans Georg Näder. The purchases from "other related parties" mainly contains purchased IT services.

In addition to the transactions displayed in the table above, the shareholders of Ottobock SE & Co. KGaA received a dividend payment of € 8.835 thousand in the financial year 2022 and €15.000 thousand in the financial years 2021.

#### *Terms and conditions of transactions with related parties*

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022 and 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

#### *Key management personnel*

The management of Ottobock is executed via the Ottobock Management SE through the Management Board (Verwaltungsrat), and the Managing Directors (Geschäftsführende Direktor:innen). Further, the key management personnel consists of the European Supervisory Board (Aufsichtsrat). In total the key management personnel compensation for all members of one of three bodies comprised the following:

	<b>2022</b>	<b>2021</b>
	€ 000	€ 000
Short-term employee benefits	5.462	7.594
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	5.265	1.432
Share-based payments	-9.329	13.553
	<b>1.398</b>	<b>22.579</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. The corresponding provision for share-based payments related to key management personnel amounts to € 6.691 20.081thousand (31.12.2021: € 20.081 thousand). Note 27 provides more information about the share-based payments.

## 29 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

### *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

### *Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

### *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

### *Deferred Tax related to Assets and Liabilities arising from a single Transaction – Amendments to IAS 12*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.



#### Amendment to IFRS 16 Leases – Lease Liability in a Sale and Leaseback\*

The amendment issued in September 2022 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment applies retrospectively to annual periods beginning on or after January 1, 2024 with earlier application permitted.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures and is not aware of currently existing transactions being subject to this amendment.

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current\**

In October 2022, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional information on covenants and related liabilities are required in the notes.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*\* not yet endorsed*

## 30 Events after the reporting period

Following 31 December 2022 and till authorization of the consolidated financial statements Ottobock-Group acquired a controlling stake in Phoenix Rehabilitation Services Limited, UK, in Orthopädie Brillinger GmbH & Co. Kommanditgesellschaft, Germany, in Eshed Advance Orthopedics Limited, Israel and in Technoleg Orthopedic Institute Ltd., Israel. Further information on these acquisitions is provided in Note 6.

Duderstadt, 28. April 2023

Ottobock Management SE  
represented through the Executive Directors

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Oliver Jakobi

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Dr. Arne Kreitz

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Arne Jörn

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Martin Böhm

# Independent Auditor's report

To Ottobock SE & Co. KGaA, Duderstadt

## Opinions

We have audited the consolidated financial statements of Ottobock SE & Co. KGaA, Duderstadt and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Ottobock SE & Co. KGaA for the financial year from 1 January to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

## Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

## Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the

Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hanover, May 2, 2023

KPMG AG  
Wirtschaftsprüfungsgesellschaft

*[signature]* Modder  
Wirtschaftsprüfer  
[German Public Auditor]

*[signature]* Prenzler  
Wirtschaftsprüferin  
[German Public Auditor]