Tornier N.V.

Statutory Annual Report
for the fiscal year ended December 28, 2014

Contents

PART I

BOARD OF DIRECTORS' REPORT

Structure

Tornier was formed in 2006 by an investor group led by Warburg Pincus (Bermuda) Private Equity IX, L.P., or WP Bermuda, and medical device investors, including The Vertical Group, L.P. and Douglas W. Kohrs, our former Chief Executive Officer, collectively, the Investor Group, as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). On January 28, 2011, Tornier changed its legal form by converting from Tornier B.V., a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) to Tornier N.V., a public company with limited liability (*naamloze vennootschap*). This is referred to as the "conversion" in this report.

References to "Tornier," "Company," "we," "our" or "us" in this report refer to Tornier B.V. and its subsidiaries prior to the conversion and to Tornier N.V. and its subsidiaries upon and after the conversion, unless the context otherwise requires.

In February 2011 we completed an initial public offering of 8,750,000 ordinary shares at an offering price of $19.00 per share. Additionally, on March 7, 2011, we issued an additional 721,274 ordinary shares at an offering price of $19.00 per share due to the exercise of the underwriters' overallotment option.

Our ordinary shares are traded on the NASDAQ Global Select Market under the symbol "TRNX." Our ordinary shares have traded on the NASDAQ Global Select Market since the date of our initial public offering on February 3, 2011.

This report contains references to, among others, our trademarks Aequalis®, Aequalis Ascend®, Aequalis Ascend® Flex™, Aequalis® Fracture™, Aequalis® IM Nail™, Aequalis® Primary™, Aequalis® Reversed Fracture™, Aequalis® Reversed II™, ArthroTunneler™, BioFiber®, Cannulink™, Conexa™, Force Fiber™, Insite®, Insite® FT™, Latitude®, Latitude® EV™, MaxLock®, MaxLock® Extreme™, MiniMaxLock™, Phantom Fiber™, Piton®, PYC Humeral Head™, Salto®, Salto® Total Ankle™, Salto Talaris®, Simpliciti®, and Tornier®. All other trademarks or trade names referred to in this report are the property of their respective owners.

Our fiscal year-end always falls on the Sunday nearest to December 31. References in this report to a particular year generally refer to the applicable fiscal year. Accordingly, references to "2014" or the "year ended December 28, 2014" mean the fiscal year ended December 28, 2014. References to "2013" or the "year ended December 29, 2013" mean the fiscal year ended December 29, 2013.

All amounts are presented in U.S. Dollar ("$"), except where expressly stated as being in other currencies, e.g. Euros ("€").

Business Overview

We are a global medical device company focused on providing solutions to surgeons that treat musculoskeletal injuries and disorders of the shoulder, elbow, wrist, hand, ankle and foot, which we refer to as "extremity joints." We sell to these surgeons a broad line of joint replacement, trauma, sports medicine and biologic products to treat extremity joints. In certain international markets, we also offer joint replacement products for the hip and knee.

We have had a tradition of innovation, intense focus on science and education and a commitment to the advancement of orthopaedics in the pursuit of improved clinical outcomes for patients since our founding over 70 years ago in France by René Tornier. Our history includes the introduction of the porous orthopaedic hip implant, the application of the Morse taper, which is a reliable means of joining modular orthopaedic implants, and more recently, the introduction of the minimally invasive shoulder both in Europe and in a U.S. clinical trial. This

track record of innovation based on science and education stems from our close collaboration with leading orthopaedic surgeons and thought leaders throughout the world.

We believe we are differentiated in the marketplace by our strategic focus on extremities, our full portfolio of upper and lower extremity products, and our extremity-focused sales organization. We offer a broad product portfolio of over 90 extremities products that are designed to provide solutions to our surgeon customers with the goal of improving clinical outcomes for their patients. We believe a more active and aging patient population with higher expectations regarding "quality of life," an increasing global awareness of extremities solutions, improved clinical outcomes as a result of the use of extremities products and technological advances resulting in specific designs for extremities products that simplify procedures and address unmet needs for early interventions and the growing need for revisions and revision related solutions will drive the market for extremities products.

Our global corporate headquarters are located in Amsterdam, the Netherlands. We also have significant operations located in Bloomington, Minnesota (U.S. headquarters, sales, marketing and distribution and administration), Grenoble, France (OUS headquarters, manufacturing and research and development), Macroom, Ireland (manufacturing), Warsaw, Indiana (research and development) and Medina, Ohio (marketing, research and development). In addition, we conduct local sales and distribution activities across 12 sales offices throughout Europe, Asia, Australia and Canada.

Proposed Merger with Wright Medical Group, Inc.

On October 27, 2014, we entered into an agreement and plan of merger with Wright Medical Group, Inc. The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, an indirect wholly owned subsidiary of Tornier N.V. will merge with and into Wright, with Wright continuing as the surviving company and an indirect wholly owned subsidiary of our company following the transaction. Following the closing of the transaction, the combined company will conduct business as Wright Medical Group N.V. and Robert J. Palmisano, Wright's president and chief executive officer, will become president and chief executive officer of the combined company and David H. Mowry, our president and chief executive officer, will become executive vice president and chief operating officer of the combined company. Wright Medical Group N.V.'s board of directors will be comprised of five representatives from Wright's existing board of directors and five representatives from our existing board of directors, including Mr. Palmisano and Mr. Mowry.

Subject to the terms and conditions of the merger agreement, at the effective time and as a result of the merger, each share of common stock of Wright issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive 1.0309 Tornier ordinary shares. In addition, at the effective time and as a result of the merger, all outstanding options to purchase Wright shares and other equity awards based on Wright shares, which are outstanding immediately prior to the effective time of the merger, will become immediately vested and converted into and become, respectively, options to purchase Tornier ordinary shares and with respect to all other Wright equity awards, awards based on Tornier ordinary shares, in each case, on terms substantially identical to those in effect prior to the effective time of the merger, except for the vesting requirements and adjustments to the underlying number of shares and the exercise price based on the exchange ratio used in the merger and other adjustments as provided in the merger agreement. Upon completion of the merger, our shareholders will own approximately 48% of the combined company on a fully diluted basis and Wright shareholders will own approximately 52%.

The transaction is subject to approval of Tornier and Wright shareholders, effectiveness of a Form S-4 registration statement filed by us with the Securities and Exchange Commission and the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and other customary closing conditions. The transaction is expected to be completed in midyear 2015.

Customers, Sales and Distribution

Our target customers are surgeon specialists focused on extremity injuries and disorders, along with general surgeons and podiatrists that perform extremities-related surgical procedures. We provide these surgeons extensive "hands on" orthopaedic training and education, including fellowships and masters courses that are not easily

accessible through traditional medical training programs. We believe that our history of innovation and focus on quality and improving clinical outcomes, along with our training programs, allow us to reach surgeons early in their careers and provide on-going value, which includes experiencing the clinical benefits of our products.

While we market our broad portfolio of products to these surgeons, our revenue is generated from sales of our products to healthcare institutions and stocking distributors. We have built and developed local sales organizations to serve these customer groups across the markets in which we operate. Our sales organizations are structured based on the requirements of the local markets in which they serve and consist of sales associates, sales management and support personnel that are either employed by us or provided under contract by an independent distributor or sales agency. Our direct sales employees and independent sales agencies earn commissions based on the revenue they generate from sales of our products.

United States

In the United States, we market and sell a broad offering of products, including products for upper extremity joints and trauma, lower extremity joints and trauma, and sports medicine and biologics. We do not actively market products for the hip or knee, which we refer to as "large joints," in the United States, although we have clearance from the U.S. Food and Drug Administration, or FDA, to sell certain large joint products. Our sales and distribution system in the United States currently consists of 49 geographic sales territories that are staffed by approximately 170 direct sales representatives and approximately 20 independent sales agencies. These sales representatives and independent sales agencies are generally aligned to selling either our upper extremity products or lower extremity products, but, in some cases, certain agencies sell products from both upper and lower extremity product portfolios in their territories.

Over the last two years, we have transitioned our U.S. sales organization from a network of independent sales agencies that sold our full product portfolio to a combination of direct sales team and independent sales agencies that are dedicated to selling either upper extremity joints and trauma products or lower extremity joints and trauma products across the territories in which they serve. While this transition caused disruption in our U.S. business and negatively impacted our revenues in both 2014 and 2013, we continue to believe that this strategy positions us to leverage our sales force and broad product portfolio toward our goal of achieving above market extremities revenue growth and margin expansion over the long term by allowing us to increase the product proficiency of our sales representatives to better serve our surgeon customers and to increase and optimize our selling opportunities by improving our overall procedure coverage and providing access to new specialists, general surgeons and accounts.

During 2015, we plan to continue to strategically focus on and invest in building a competitively superior U.S. sales organization by training and certifying our sales representatives on our innovative product portfolio, continuing to develop and implement strong performance management practices, and enhancing sales productivity.

International

Internationally, we sell our full product portfolio, including upper and lower extremity products, sports medicine and biologics products and large joints products. We utilize several distribution approaches that are tailored to the needs and requirements of each individual market. Our international sales and distribution system currently consists of 12 direct sales offices and approximately 25 distributors that sell our products in approximately 40 countries. We utilize direct sales organizations in certain mature European markets, Australia, Japan and Canada. In France, our largest international market, we have an upper extremity direct sales force and a separate direct sales force that sells a combination of hip, knee and lower extremity products. In addition, we may also utilize independent stocking distributors in these direct sales areas to further broaden our distribution channel. In certain other geographies, including emerging markets, we utilize independent stocking distributors to market and sell our full product portfolio or select portions of our product portfolio.

As part of our efforts to grow internationally, over the last few years we have expanded our distribution and sales efforts into Mexico, Israel, Argentina, Singapore, Taiwan, Vietnam, and Czech Republic through partnerships with local stocking distributors. In addition, we have selectively transitioned from distributor representation to direct sales representation in certain countries, including Australia, the United Kingdom, Denmark, Belgium,

Luxembourg, Japan and Canada during the past few years. We plan to continue this strategy of international expansion, in combination with the tailoring of our international distribution approach to the needs and requirements of each individual market. This strategy may result in additional sales coverage transitions in the future.

We generated $199.3 million, or 58% of our total revenue, in the United States during the year ended December 28, 2014, compared to $182.1 million and $156.8 million during the years ended December 29, 2013 and December 30, 2012, respectively. We generated $145.7 million, or 42% of our total revenue, in international markets outside of the United States during the year ended December 28, 2014, compared to $128.9 million and $120.8 million during the years ended December 29, 2013 and December 30, 2012, respectively. Our total revenue in France was $64.1 million in 2014, $58.2 million in 2013 and $52.7 million in 2012. Our total revenue in the Netherlands was $6.2 million in 2014, $5.8 million in 2013 and $5.3 million in 2012.

Product Portfolio

We manage our business in one reportable segment that includes the design, manufacture, marketing and sales of orthopaedic products. We offer a broad product portfolio of over 95 extremities products that are designed to provide solutions to our surgeon customers with the goal of improving clinical outcomes for their patients. Our product portfolio consists of the following product categories:

Product category	Target addressable geography
Upper extremity joints and trauma	United States and International
Lower extremity joints and trauma	United States and International
Sports medicine and biologics	United States and International
Large joints and other	Selected International Markets

Although the industry traditionally organizes the orthopaedic market based on the mechanical features of the products, we organize our product categories in a way that aligns with the types of surgeons who most frequently use them. Therefore, we distinguish upper extremity joints and trauma from lower extremity joints and trauma, as opposed to viewing joint implants and trauma products as distinct product categories. Descriptions of our product categories are detailed below.

Upper Extremity Joints and Trauma

The upper extremity joints and trauma product category includes joint implants and bone fixation devices for the shoulder, hand, wrist and elbow. Our global revenue from this category for the year ended December 28, 2014 was $213.3 million, or 62% of total revenue, which represents growth of 16% over the prior year.

We expect the shoulder to continue to be the largest and most important product category for us for the foreseeable future. Our shoulder joint implants are used to treat painful shoulder conditions due to arthritis, irreparable rotator cuff tendon tears, bone disease, fractured humeral heads or failed previous shoulder replacement surgery. Our shoulder products include the following:

- Our total joint replacement products have two components—a humeral implant consisting of a metal stem or base attached to a metal head, and a plastic implant for the glenoid (shoulder socket). Together, these two components mimic the function of a natural shoulder joint. Our products in this area include the Aequalis Ascend, Aequalis Primary, Aequalis PerFORM and Simpliciti shoulder systems. The Simpliciti minimally invasive shoulder is currently available in certain international markets and, subject to FDA clearance, we expect to launch it in the United States during the second half of 2015.
- Our hemi joint replacement products replace only the humeral head and allow it to articulate against the native glenoid. These products include our PYC Humeral Head and Inspyre. PYC stands for pyrocarbon, which is a biocompatible material and is currently available in certain international markets.

- Our reversed implants, which include the Aequalis Reversed II shoulder, are used in arthritic patients lacking rotator cuff function. The components are different from a traditional "total" shoulder in that the humeral implant has the plastic socket and the glenoid has the metal head. This design has the biomechanical impact of shifting the pivot point of the joint away from the body centerline and recruiting the deltoid muscles to enable the patient to elevate the arm.
- Our convertible implants are modular implants that can be converted from a total or hemi joint replacement to a reversed implant at a later date if the patient requires it. In the third quarter of 2013, we launched our Aequalis Ascend Flex convertible shoulder system, which provides anatomic and reversed options within a single system and offers precise intra-operative implant-to-patient fit and easy conversion to reversed if necessary.
- Our resurfacing implants, which include the Aequalis Resurfacing Head, are designed to preserve bone, which may benefit more active or younger patients with shoulder arthritis.
- Trauma devices, such as plates, screws and nails, are non-articulating implants used to help stabilize fractures of the humerus. Our upper extremity trauma products include the Aequalis IM Nail, Aequalis Proximal Humeral Plate, Aequalis Fracture shoulder and Aequalis Reversed Fracture shoulder.

We also offer joint replacement and trauma products including implants, pins, plates and screws that are used to treat the hand, wrist and elbow. One of our distinctive product offerings for these smaller, non-load bearing joints are implants made from pyrocarbon, which has low joint surface friction and a high resistance to wear. We offer a wide range of pyrocarbon implants internationally and have begun to introduce some of these products into the United States. In 2013, we also launched our Latitude EV total elbow prosthesis. The Latitude EV gives surgeons the ability to reproduce the natural flexion/extension axis and restore natural kinematics of the elbow with its anatomic design.

Lower Extremity Joints and Trauma

The lower extremity joints and trauma category includes joint implants and bone fixation devices, including plates, screws, and nails, for the foot and ankle. Our global revenue from lower extremity joints and trauma for the year ended December 28, 2014 was $59.2 million, or 17% of total revenue, which represents growth of 1% over the prior year.

Our lower extremity products include the following:

- Our joint replacement products include implants for the ankle that involve replacing the joint with an articulating multi-component implant. These joint implants may be mobile bearing, in which the plastic component is free to slide relative to the metal bearing surfaces, or fixed bearing, in which this component is constrained. We offer fixed bearing implants outside the United States, including the Salto Total Ankle prosthesis, and precision bearing implants globally, including the Salto Talaris Total Ankle mobile version. In 2014, we also commercially released the Salto XT, which is a revision system for previous ankle replacements.
- Our bone fixation products include a broad range of anatomically designed plates, screws and nails. These products are used to stabilize and heal fractured bones, joint dislocation, correct deformities and fuse arthritic joints of the foot and ankle that result from either acute injuries or chronic wear and tear. These devices are also utilized in the treatment of a wide range of non-traumatic surgical procedures. These products include the MaxLock, MiniMaxLock, and MaxLock Extreme plate and screw systems and the Cannulink Intraosseous Fixation System (IFS) for hammertoe correction.

Sports Medicine and Biologics

The sports medicine product category includes products used across several anatomic sites to mechanically repair tissue-to-tissue or tissue-to-bone injuries. Rotator cuff repair is the largest sub-segment in the sports medicine market. Other procedures relevant to extremities include shoulder instability treatment, Achilles tendon repair and soft tissue reconstruction of the foot and ankle and several other soft tissue repair procedures. Our sports medicine products include the Insite FT and Piton anchor products, ArthroTunneler arthroscopic tunneling device and Force Fiber suture products.

The field of biologics employs tissue engineering and regenerative medicine technologies focused on remodeling and regeneration of tendons, ligaments, bone and cartilage. Biologically or synthetically derived soft tissue grafts and scaffolds are used to treat soft tissue injures and are complementary to many sports medicine applications, including rotator cuff tendon repair and Achilles tendon repair. Hard tissue biologics products are used in many bone fusion or trauma cases where healing potential may be compromised and additional biologic factors are desired to enhance healing, where the surgeon needs additional bone or in cases where the surgeon wishes to use materials that are naturally incorporated by the body over time. Our biologics products include the BioFiber biologic absorbable scaffold products and Phantom Fiber high strength, resorbable suture products.

Because of its close relationship to extremity joint replacement and bone fixation, our sports medicine and biologics portfolio is comprised of products used to complement our upper and lower extremity product portfolios, providing surgeons a variety of products that may be used in upper and lower extremity surgical procedures.

Our revenue from sports medicine and biologics for the year ended December 28, 2014 was $14.2 million, or 4% of total revenue, which represents a decline in revenue of 4% over the prior year. This decrease in sports medicine and biologics revenue reflects our increased focus on our extremities products.

Large Joints and Other

The large joints and other product category includes hip and knee joint replacement implants and other ancillary products, including instrumentation. Hip and knee joint replacement products are used to treat patients with painful arthritis in these larger joints and to treat femoral fracture patients. We offer these products in France and select international geographies. We currently have no plans to actively market our large joint implants in the United States. Our global revenue from large joints and other products for the year ended December 28, 2014 was $58.2 million, or 17% of total revenue, which represents growth of 10% over the prior year.

Manufacturing and Supply

We utilize a combination of internal manufacturing and a network of qualified outsourced manufacturing partners to produce our products and surgical instrumentation. We manufacture our internally-sourced products in three locations: Montbonnot, France, Grenoble, France and Macroom, Ireland. Our internal manufacturing operations are focused on product quality, continuous improvement and efficiency. Our operations in France have a long history and deep experience with orthopaedic manufacturing and process innovation. Additionally, we believe we are the only company to have vertically integrated operations for the manufacturing of pyrocarbon orthopaedic products. We believe that this capability gives us a competitive advantage in design for manufacturing and prototyping of this innovative material. Our Ireland location has been practicing Lean cellular manufacturing concepts for many years with a philosophy focused on high productivity, flexibility and capacity optimization.

We strive to optimize our internal manufacturing capacity and generally insource manufacturing where we can; however, we are willing to outsource products to our manufacturing partners when it provides us with cost efficiency, expertise, flexibility, and in instances where we need additional capacity. We believe that the improvement of our gross margins over the last several years has been the result of driving production process efficiencies, managing our material and labor costs, and optimizing the balance between insourced and outsourced manufacturing.

We use a diverse and broad range of raw materials in the manufacturing of our products. We purchase all of our raw materials and select components used in the manufacturing of our products from external suppliers. In addition, we purchase some supplies from single sources for reasons of proprietary know-how, quality assurance, sole source availability, cost-effectiveness or constraints resulting from regulatory requirements. We work closely with our suppliers to ensure continuity of supply while maintaining high quality and reliability. Although we have no long-term supply contracts with any of these suppliers, we have not experienced, to date, any significant difficulty in locating and obtaining the materials necessary to fulfill our production requirements.

Some of our products are provided by suppliers under private-label distribution agreements. Under these agreements, the supplier generally retains the intellectual property and exclusive manufacturing rights. The supplier

private labels the products under the Tornier brand for sale in certain fields of use and geographic territories. These agreements may be subject to minimum purchase or sales obligations and are terminable by either party upon notice. Our private-label distribution agreements expire between this year and 2016 and are renewable under certain conditions or by mutual agreement. Our private-label distribution agreements do not, individually or in the aggregate, represent a material portion of our business and we are not substantially dependent on them.

Our business, and the orthopaedic industry in general, is capital intensive, particularly as it relates to inventory levels and surgical instrumentation. Our business requires a significant level of inventory driven by our global footprint, the requirement to provide products within a short period of time, and the number of different sizes of many of our products. In addition, we must maintain a significant investment in surgical instrumentation as we provide these instruments to healthcare facilities and surgeons for their use to facilitate the implantation of our products.

Research and Development

We are committed to a strong research and development program focused on innovation. Our research and development teams are organized and aligned with our product marketing teams and are focused on improving clinical outcomes by designing innovative products, new product features and by developing enhanced surgical techniques. Our internal research and development teams work closely with external research and development consultants and a global network of leading surgeon inventors to ensure we have broad access to best-in-class ideas and technologies to drive our product development pipeline. We also have an active business development team that actively evaluates novel technologies and development stage products, which our internal team can assist in bringing to market.

Under Dutch GAAP, costs in the developments phase are capitalized and are amortized once the development of the project is complete. Total capitalized development costs were $29.2 million and $32.8 million at December 28, 2014 and December 29, 2013. As of December 28, 2014, we had a research and development staff of 68 people, or 6% of our total employees, principally located in Montbonnot, France and Warsaw, Indiana, with additional staff in Grenoble, France, Bloomington, Minnesota and Medina, Ohio.

Contractual Obligations and Commitments

The following table summarizes our outstanding contractual obligations as of December 29, 2013 for the categories set forth below, assuming only scheduled amortizations and repayment at maturity:

	Payment Due By Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
			($ in thousands)		
Amounts reflected in consolidated balance sheet:					
Bank debt	$ 65,848	$ 977	$ 2,339	$ 61,985	$ 547
Shareholder loan	2,319	—	—	—	2,319
Contingent consideration	12,956	6,428	6,528	—	—
Capital leases	914	461	383	70	—
Amounts not reflected in consolidated balance sheet:					
Interest on bank debt	9,603	2,776	5,436	1,376	15
Interest on contingent consideration	807	721	86	—	—
Interest on capital leases	67	40	25	2	—
Operating leases	28,143	5,410	8,035	6,336	8,362
Total	$120,657	$ 16,813	$ 22,832	$ 69,769	$ 11,243

Liquidity and Capital Resources

Since inception, we have generated significant operating losses resulting in an accumulated deficit of $380.0 million as of December 28, 2014. Historically, our liquidity needs have been met through a combination of sales of our equity and commercial debt financing. We believe that our cash and cash equivalents balance of approximately $27.9 million as of December 28, 2014, along with $24.0 million of available credit under our revolving credit facility, will be sufficient to fund our working capital requirements and operations, including recent and potential acquisitions to continue our U.S. sales channel transition and international expansion, and permit anticipated capital expenditures during the next twelve months, although we may seek to increase our credit availability under our existing credit facility to provide further working capital flexibility. In the event that we would require additional working capital to fund future operations or for other needs, we could seek to acquire that through additional issuances of equity or additional debt financing arrangements, which may or may not be available on favorable terms at such time. In addition, our merger agreement with Wright contains covenants limiting our ability to issue equity securities and enter into additional debt financing arrangements.

The following table sets forth, for the periods indicated, certain liquidity measures:

	As of	
	December 28, 2014	December 29, 2013
	($ in thousands)	
Cash and cash equivalents	$ 27,852	$ 56,696
Working capital	124,736	152,935
Available lines of credit	24,000	30,000
Total short and long-term debt	75,499	69,081

Total working capital, which includes cash and cash equivalents, was negatively impacted during 2014 as a result of increased investments in surgical instrumentation, property plant and equipment and inventory. The increase in total short-term and long-term debt was due to an advance of $6.0 million on our revolving line of credit facility in the third quarter of 2014.

Credit Facility

Our credit facility consists of the following: (1) a senior secured term loan facility denominated in U.S. dollars in an aggregate principal amount of up to $75 million (referred to as the USD term loan facility); (2) a senior secured term loan facility denominated in Euros in an aggregate principal amount of up to the U.S. dollar equivalent of $40 million (referred to as the EUR term loan facility); and (3) a senior secured revolving credit facility denominated at our election, in U.S. dollars, Euros, pounds, sterling and yen in an aggregate principal amount of up to the U.S. dollar equivalent of $30 million. The original borrowings under the term loan facilities described above were used to pay a portion of the purchase price consideration for our acquisition of OrthoHelix, and fees, costs and expenses incurred in connection with the acquisition and the credit agreement and to repay prior existing indebtedness. As of December 28, 2014, we had $61.7 million of term debt outstanding, net of unamortized discount, under this credit facility. The term loan matures in October 2017. Funds available under the revolving credit facility may be used for general corporate purposes.

At our option, borrowings under our revolving credit facility and our U.S. dollar denominated term loan facility bear interest at (a) the alternate base rate (if denominated in U.S. dollars), equal to the greatest of (i) the prime rate in effect on such day, (ii) the federal funds rate in effect on such day plus 1/2 of 1%, and (iii) the adjusted LIBO rate plus 1%, plus in the case of each of (i)-(iii) above, an applicable rate of 2.00% or 2.25% (depending on our total net leverage ratio as defined in our credit agreement), or (b) the applicable adjusted LIBO rate for the relevant interest period plus an applicable rate of 3.00% or 3.25% (depending on our total net leverage ratio), plus the mandatory cost (as defined in our credit agreement) if such loan is made in a currency other than U.S. dollars or from a lending office in the United Kingdom or a participating member state (as defined in our credit agreement). In addition, we are subject to a 0.5% interest rate on the unfunded balance of the senior secured revolving credit facility. As of December 28, 2014, we had $6.0 million of debt outstanding under this revolving credit facility.

The credit agreement contains customary covenants, including financial covenants which require us to maintain minimum interest coverage and maximum total net leverage ratios, and customary events of default. The obligations under the credit agreement are guaranteed by us, Tornier Inc. and certain other of our subsidiaries, and subject to certain exceptions, are secured by a first priority security interest in substantially all of our assets and the assets of certain of our existing and future subsidiaries of Tornier. We were in compliance with all covenants as of December 28, 2014.

Other Liquidity Information

In connection with our acquisitions of OrthoHelix, a stocking distributor in Australia and certain U.S. distributors and independent sales agencies during 2013 and 2014, we agreed to pay in cash additional earn-out payments based upon the future revenue performance of specific products or geographies during fiscal years 2014 and 2015. We estimate those payments to be approximately $2.0 million in aggregate and these liabilities are recorded in contingent consideration liabilities – current in our consolidated balance sheet as of December 28, 2014.

Cash Flows

The following summarizes the components of our consolidated statements of cash flows for the years ended December 28, 2014 and December 29, 2013:

Operating activities. Net cash provided by operating activities was $7.2 million in 2014 compared to $32.4 million in 2013. This decrease of $25.2 million in operating cash flow was attributable to a decrease in cash generated from working capital of $28.2 million.

Investing activities. Net cash used in investing activities totaled $40.5 million and $55.2 million in 2014 and 2013, respectively. The decrease in net cash used in investing activities in 2014 compared to 2013 was due to lower acquisition related payments.

Our industry is capital intensive, particularly as it relates to surgical instrumentation. Our instrument additions were $21.8 million and $23.8 million in 2014 and 2013, respectively. Our expenditures related to property, plant and equipment were $10.5 million and $10.8 million in 2014 and 2013, respectively. The expenditures for property, plant and equipment in 2014 and 2013 included our investments in a global Enterprise Resource Planning (ERP) system. A significant amount of expenditures are derived in currencies other than the U.S. Dollar and may be impacted by exchange rates in future periods.

Financing activities. Net cash provided by financing activities was $2.7 million and $47.0 million in 2014 and 2013, respectively. The $2.7 million in net cash provided by financing activities in 2014 related to draws on our revolving credit facility and cash received from stock option exercises, partially offset by earnout payments related to prior acquisitions. The $47.0 million in net cash provided by financing activities in 2013 included $78.7 million in net proceeds raised from our May 2013 underwritten public offering and $21.5 million received from stock option exercises, partially offset by $54.1 million in payments made on our senior secured term loans.

Employees

As of December 28, 2014, we had 1,121 employees, including 437 in manufacturing and operations, 68 in research and development and the remaining in sales, marketing, quality, regulatory and related administrative support. Of our 1,121 worldwide employees, 423 employees were located in the United States and 698 employees were located outside of the United States, primarily in France and Ireland.

BUSINESS RISKS

Internal Risk Management and Control Systems

We acknowledge the importance of internal control and risk management systems. Our board of directors is responsible for ensuring that we comply with applicable legislation and regulations. It is also responsible for the financing of our and for managing the internal and external risks related to our business activities. The establishment of our internal risk management and control system is based on the identification of external and internal risk factors that could influence our operational and financial objectives and contains a system of monitoring, reporting and operational reviews.

To help identify risks, we use a formal risk management approach, consisting of a set of risks definitions which are discussed amongst our senior management. Based on this risk assessment, actions are initiated to further enhance our risk mitigation. The establishment of our internal control and risk management systems is based on the identification of external and internal risk factors that could influence the operational and financial objectives of our company and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with our audit committee and our board of directors. For a summary of Risk Factors, we refer to pages 12 to 42 of this report.

We do not rank the risks identified, as we are of the view that selecting the risks does not make sense because it defies the purpose of a comprehensive risk assessment and it would be arbitrary of nature since all risks mentioned have significant relevance for us and our business.

We publish two annual reports in respect of the financial year 2013 ("2013 Annual Reports"): this statutory annual report in accordance with the Dutch legal requirements and Dutch Generally Accepted Accounting Principles ("Dutch GAAP") and an annual report on Form 10-K in accordance with U.S. securities laws, based on the United States of America Generally Accepted Accounting Principles ("U.S. GAAP"). Both 2013 Annual Reports include risk factors that are specific to the medical device industry, our company and our ordinary shares.

With respect to the process of drafting annual reports, we have extensive guidelines for the format and the content of our reports. These guidelines are primarily based on applicable laws. For the statutory annual report, we follow the requirements of Dutch law and regulations, including preparation of the consolidated and company financial statements in accordance with Dutch GAAP. For the annual report on Form 10-K, we apply the requirements of the U.S. Securities Exchange Act of 1934, as amended, and the notes and regulations promulgated thereunder, and prepare the financial statements included therein in accordance with U.S. GAAP. With respect to the preparation process of these and the other financial reports, we apply internal procedures to safeguard completeness and correctness of such information as part of our disclosure controls and procedures.

Our disclosure committee, consisting of various members of senior management from different functional areas within our company (i.e. Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Legal Officer (CLO), Global Controller, VP of Finance, VP of Strategy and Business Development, VP of Quality, Director Global Risk Management, and Compliance Officer), reports to and assists our CEO and CFO in the maintenance, review and evaluation of disclosure controls and procedures. The disclosure committee's main responsibility is to ensure compliance with applicable disclosure requirements arising under United States and Dutch law and applicable stock exchange rules. The disclosure committee reports to our audit committee on the topics discussed in the disclosure committee meetings. Our disclosure committee also advises our CEO and CFO about their assessment of our disclosure controls and procedures and internal control over financial reporting. The audit committee reports to our board of directors on the progress of the assessments and the disclosures to be made.

Code of Business Conduct and Ethics

Part of our risk management and control system is the Tornier N.V. Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees. The Code of Business Conduct and Ethics contains rules and guidelines on integrity subjects and issues. The Code of Business Conduct and Ethics, as well as

submitted complaints, if any, are regularly discussed in the meetings of our audit committee and nominating, corporate governance and compliance committee. The Code of Business Conduct and Ethics is posted on the Investor Relations - Corporate Governance section on our website.

Changes in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for U.S. purposes. Under the supervision and with the participation of our management, including our President and Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting for U.S. purposes as of December 28, 2014, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 28, 2014. The report of Ernst &Young LLP, our independent registered public accounting firm, regarding the effectiveness of our internal control over financial reporting is included in our recent annual report on Form 10-K for the fiscal year ended December 28, 2014 in "Part II. Item 8, Financial Statements and Supplementary Data" under "Report of Independent Registered Public Accounting Firm."

During the fourth quarter ended December 28, 2014, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Risk Factors

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. We also are subject to risks in connection with our proposed merger with Wright. The following is a discussion of the specific risks that could materially adversely affect our business, financial condition or operating results:

Risks Related to Our Proposed Merger with Wright

The obligation of Wright and Tornier to complete the merger is conditioned on, among other things, the expiration or termination of the applicable waiting period under the HSR Act, which if delayed, not granted or granted with unacceptable conditions, may delay or jeopardize the consummation of the merger, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the merger.

The proposed merger between Tornier and Wright is subject to customary closing conditions, including the expiration or termination of the applicable waiting period under the HSR Act. There is no assurance that clearance under the HSR Act will be obtained. Moreover, as a condition to their clearance of the transaction under the HSR Act, the U.S. Federal Trade Commission or the Antitrust Division within the U.S. Department of Justice may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the business of the combined company after the closing. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the effective time of the merger, adversely affect the timing and ability of the combined company to integrate Wright's and Tornier's operations and/or reduce the anticipated benefits of the merger.

Wright and Tornier may agree to material requirements, limitations, costs, restrictions, in the case of divestitures in order to obtain clearance under the HSR Act, any of which could result in a failure to consummate the merger or have a material adverse effect on the business and operating results of the combined company. Pursuant to the merger agreement, Wright will control the terms of, and assets included in, any divestiture involving assets that generated U.S. revenue less than $15 million during the twelve months ended September 30, 2014, subject to using commercially reasonable efforts to contest any divestiture proposed by a governmental body. The parties must jointly agree on any more significant divestiture.

The merger is subject to certain other conditions to closing that could result in the merger not being consummated or being delayed, any of which could negatively impact the share price and future business and operating results of Tornier.

Consummation of the proposed merger between Tornier and Wright is subject to a number of customary conditions, other than expiration or termination of the applicable waiting period under the HSR Act, including, but not limited to, the approval of the merger agreement by the Wright and Tornier shareholders. There is no assurance that Wright and Tornier will receive the necessary approvals or satisfy the other conditions necessary for the completion of the merger. If any conditions to the merger are not satisfied or, where waiver is permissible, not waived, the merger will not be consummated.

Failure to complete the merger would prevent Tornier from realizing the anticipated benefits of the merger. Tornier has incurred significant costs and expects to continue to incur significant costs associated with the merger, including transaction fees, professional services, taxes and other costs related to the merger. In the event that the merger is not completed, Tornier will remain liable for these costs and expenses. Further, if the merger is not completed and the merger agreement is terminated, under certain circumstances, Tornier may be required to pay Wright a termination fee of $46 million and/or pay Wright expenses of up to $5 million.

In addition, the current market price of Tornier ordinary shares may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a negative perception by the market of Tornier generally and a resulting decline in the market price of Tornier ordinary shares. Any delay in the consummation of the merger or any uncertainty about the consummation of the merger could also negatively impact the share price and future business and operating results of Tornier. No assurance can be provided that the merger will be consummated, that there will be no delay in the consummation of the merger or that the merger will be consummated on the terms contemplated by the merger agreement.

Wright and Tornier may waive one or more conditions to the merger without resoliciting shareholder approval for the merger.

Certain conditions to Wright's and Tornier's obligations to complete the merger may be waived, in whole or in part, to the extent legally allowed, either unilaterally or by agreement of Wright and Tornier. In the event of a waiver of a condition, the boards of directors of Wright and Tornier will evaluate the materiality of any such waiver to determine whether a supplement to the joint proxy statement/prospectus relating to the merger, once finalized, or an amendment to the registration statement of which the joint proxy statement/prospectus is a part or a resolicitation of proxies is necessary. In the event that the board of directors of Tornier determines any such waiver is not significant enough to require resolicitation of shareholders, it will have the discretion to complete the merger without seeking further shareholder approval. The conditions requiring the approval of each company's shareholders, however, cannot be waived.

The exchange ratio to be used in connection with the merger to determine the number of Tornier ordinary shares to issue to Wright shareholders is fixed and will not be adjusted in the event of any change in the price of either Wright shares or Tornier ordinary shares prior to the completion of the merger.

Upon completion of the merger, each Wright share will be converted into the right to receive 1.0309 Tornier ordinary shares. This exchange ratio will not be adjusted for changes in the market price of either Wright shares or Tornier ordinary shares between the date of signing the merger agreement and completion of the merger. Changes in the price of Tornier ordinary shares prior to the merger will affect the value of Tornier ordinary shares that Wright shareholders will receive on the closing date. The exchange ratio will, however, be adjusted appropriately to fully reflect the effect of any reclassification, stock split, stock dividend or distribution, recapitalization or other similar transaction with respect to either the Wright shares or Tornier ordinary shares prior to the completion of the merger.

The prices of Wright shares and Tornier ordinary shares on the date of the completion of the merger may vary from their prices on the date the merger agreement was executed, on the date of this report and on the date of each shareholder meeting. As a result, the value represented by the exchange ratio will also vary. These variations could result from changes in the business, operations or prospects of Wright or Tornier prior to or following the

completion of the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of Wright or Tornier.

The merger agreement with Wright contains provisions that restrict Tornier's ability to pursue alternatives to the merger and, in specified circumstances, could require Tornier to pay Wright a termination fee and expense reimbursement.

Under the merger agreement with Wright, Tornier agreed not to (1) take certain actions to solicit proposals relating to alternative business combination transactions or (2) subject to certain exceptions, including the receipt of a "superior proposal" (as such term is defined in the merger agreement), enter into discussions or an agreement concerning or provide confidential information in connection with any proposals for alternative business combination transactions. In certain specified circumstances upon termination of the merger agreement, Tornier would be required to pay Wright a termination fee of $46 million and reimburse Wright for its merger-related expenses in an amount not to exceed $5 million. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of Tornier from considering or proposing that acquisition, even if such third party were prepared to enter into a transaction that is more favorable to Tornier and the Tornier shareholders than the proposed merger with Wright.

Whether or not the merger is completed, the announcement and pendency of the merger could impact or cause disruptions in Tornier's business, which could have an adverse effect on Tornier's businesses and operating results.

Whether or not the merger with Wright is completed, the announcement and pendency of the merger could cause disruptions in or otherwise negatively impact Tornier's business and operating results, including among others:

- Tornier employees may experience uncertainty about their future roles with the combined company, which might adversely affect Tornier's ability to retain and hire key personnel and other employees;
- the attention of Tornier's management may be directed toward completion of the merger and transaction-related considerations and may be diverted from the day-to-day operations and pursuit of other opportunities that could have been beneficial to Tornier's business; and
- customers, distributors, independent sales agencies, vendors or suppliers may seek to modify or terminate their business relationships with Tornier, or delay or defer decisions concerning Tornier.

These disruptions could be exacerbated by a delay in the completion of the merger or termination of the merger agreement and could have an adverse effect on Tornier's business, operating results or prospects if the merger is not completed or the business, operating results or prospects of the combined company if the merger is completed.

Current Tornier shareholders will have a reduced ownership and voting interest in the combined company after the merger.

Upon completion of the merger, Wright shareholders will own approximately 52% of the combined company and Tornier shareholders will own approximately 48% of the combined company on a fully diluted basis. Tornier shareholders currently have the right to vote for Tornier's directors and on other matters affecting Tornier. When the merger occurs, each Tornier shareholder will remain a shareholder of the combined company with a percentage ownership of the combined company that will be smaller than the shareholder's percentage ownership of Tornier prior to the merger. As a result, current Tornier shareholders will have less voting power in the combined company than they now have with respect to Tornier.

The directors and executive officers of Tornier have interests in the merger that may be different from, or in addition to, those of other Tornier shareholders, which could have influenced their decisions to support or approve the merger.

In considering whether to approve the merger once the merger proposals are submitted to a vote of Tornier shareholders, Tornier shareholders should recognize that the directors and executive officers of Tornier have

interests in the merger that are in addition to their interests as Tornier shareholders. These interests may include, among others, continued service as a director or an executive officer of the combined company, accelerated vesting of certain equity-based awards or certain severance benefits and payment of certain amounts in connection with the merger, as applicable. These interests, among others, may influence the directors and executive officers of Tornier to support or approve the proposals to be submitted to a vote of the Tornier shareholders at the Tornier extraordinary general meeting anticipated to be held in connection with the merger.

If counterparties to certain agreements with Wright or Tornier do not consent to the merger, change of control rights under those agreements may be triggered as a result of the merger, which could cause the combined company to lose the benefit of such agreements and incur liabilities or replacement costs.

Wright and Tornier could be parties to agreements or possess permits that contain change of control provisions that will be triggered as a result of the merger. If the counterparties to these agreements or the authorities responsible for such permits do not consent to the merger, the counterparties or authorities may have the ability to exercise certain rights (including termination rights), resulting in Wright or Tornier incurring liabilities as a consequence of breaching such agreements or operating without such permits, or causing Wright or Tornier to lose the benefit of such agreements or permits or incur costs in seeking replacement agreements or permits.

The combined company likely will need additional financing to satisfy its anticipated liquidity challenges, which may not be available on favorable terms at the time it is needed and which could reduce the combined company's operational and strategic flexibility.

The combined company may face liquidity challenges during the next few years in light of significant contingent liabilities and financial obligations and commitments, including, among others, acquisition-related contingent consideration payments and outstanding indebtedness, Tornier's outstanding indebtedness in the amount of approximately $67.7 million as of December 28, 2014 that will become due and payable upon completion of the merger, transaction-related expenses, and the combined company's anticipated operating losses for the next few years. In the likely event that the combined company will require additional working capital to fund future operations, the combined company could seek to acquire that through additional equity or debt financing arrangements, which may or may not be available on favorable terms at such time. If the combined company raises additional funds by issuing equity securities, the combined company's shareholders may experience dilution. Debt financing, if available, may involve covenants restricting the combined company's operations or its ability to incur additional debt. Any debt financing or additional equity that the combined company raises may contain terms that are not favorable to the combined company or its shareholders. If the combined company does not have, or is not able to obtain, sufficient funds, it may have to delay development or commercialization of its products or license to third parties the rights to commercialize products or technologies that it would otherwise seek to commercialize. The combined company also may have to reduce marketing, customer support or other resources devoted to its products or cease operations.

The combined company may be unable to successfully integrate Wright's and Tornier's operations or to realize the anticipated cost savings and other potential benefits of the merger in a timely manner or at all. As a result, the value of Tornier ordinary shares may be adversely affected.

We entered into the merger agreement with Wright because we believe that the merger will be beneficial to Tornier and our shareholders and other stakeholders. Achieving the anticipated potential benefits of the merger will depend in part upon whether the combined company is able to integrate Wright's and Tornier's operations in an efficient and effective manner. The integration process may not be completed smoothly or successfully. The necessity of coordinating geographically separated organizations, systems and facilities and addressing possible differences in business backgrounds, corporate cultures and management philosophies may increase the difficulties of integration. Tornier and Wright operate numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, payroll, employee benefits and regulatory compliance. Tornier and Wright may also have inconsistencies in standards, controls, procedures or policies that could affect the ability of the combined company to maintain relationships with customers and employees after the merger or to achieve the anticipated benefits of the merger. The integration of certain operations following the merger will require the dedication of significant management resources, which may temporarily distract management's attention from day-to-day business. Employee uncertainty and lack of focus during the integration process may also disrupt the

combined company's business. Any inability of management to integrate successfully the operations of the two companies or to do so within a longer time frame than expected could have a material adverse effect on the combined company's business and operating results. The combined company may not be able to achieve the anticipated operating and cost synergies or long-term strategic benefits of the merger. An inability to realize the full extent of, or any of, the anticipated benefits of the merger, as well as any delays encountered in the integration process, could have an adverse effect on the business and operating results of the combined company, which may affect the value of the combined company's ordinary shares after the completion of the merger.

The success of the combined company after the merger will depend in part upon the ability of Wright and Tornier to retain key employees of both companies. Competition for qualified personnel can be very intense. In addition, key employees may depart because of issues relating to the uncertainty or difficulty of integration or a desire not to remain with the combined company, or in the case of sales personnel, overlapping sales territories. Accordingly, no assurance can be given that key employees will be retained.

Wright and Tornier have not yet determined the exact nature of how the businesses and operations of the two companies will be combined after the merger. The actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized.

Four class action lawsuits have been filed and additional lawsuits may be filed against Wright, Tornier, Holdco and/or Merger Sub relating to the merger. An adverse ruling in any such lawsuit may prevent the merger from being consummated.

On November 25, 2014, two purported Wright shareholders, Anthony Marks (as Trustee for Marks Clan Super) and Paul Parshall, filed class action complaints challenging the merger in the Chancery Court of Shelby County Tennessee, for the Thirtieth Judicial District, at Memphis and the Court of Chancery of the state of Delaware, respectively. Marks amended his complaint on January 7, 2015, and Parshall amended his complaint on February 6, 2015. On November 26, 2014, a third purported Wright shareholder, City of Warwick Retirement System, filed a class action complaint challenging the merger in the Circuit Court of Tennessee, for the Thirtieth Judicial District, at Memphis, followed by an amended complaint, filed on January 5, 2015. On December 2, 2014, a fourth purported Wright shareholder, Paulette Jacques, filed a class action complaint challenging the merger in the Chancery Court of Shelby County Tennessee, for the Thirtieth Judicial District, at Memphis, followed by an amended complaint filed on January 7, 2015.

The four complaints all name as defendants Wright, Tornier, Holdco, Merger Sub and the members of the board of directors of Wright. The amended complaint filed by Jacques also names Warburg Pincus LLC as a defendant. The complaints seek, among other relief, an order enjoining or rescinding the merger and an award of attorneys' fees and costs on the grounds that the Wright board or directors breached their fiduciary duty in connection with entering into the merger agreement, approving the merger, and causing Wright to issue a preliminary Form S-4 registration statement that purportedly fails to disclose allegedly material information about the merger. The complaints further allege that Wright, Tornier, Holdco and Merger Sub aided and abetted the alleged breaches of fiduciary duties by the Wright board of directors, while the amended complaint filed by Jacques also makes this same allegation against Warburg Pincus LLC. It is possible that these complaints will be amended further to make additional claims and/or that additional lawsuits making similar or additional claims relating to the merger will be brought.

One of the conditions to completion of the merger is the absence of any order being in effect that prohibits the consummation of the merger. Accordingly, if any of these plaintiffs or any future plaintiff is successful in obtaining an order enjoining consummation of the merger, then such order may prevent the merger from being completed, or from being completed within the expected time frame.

Risks Related to Our Business and Our Industry

We have a history of operating losses and negative cash flow and may never achieve profitability.

We have a history of operating losses and at December 28, 2014, we had an accumulated deficit of $301.6 million. Our ability to achieve profitability will be influenced by many factors, including the success of our proposed merger with Wright, the extent and duration of our future operating losses, the level and timing of future revenue and expenditures, development, commercialization and market acceptance of new products, the results and scope of ongoing research and development projects, the success of our direct sales force and independent distributor and sales agency organization and transitions related thereto, competing technologies and market developments and regulatory requirements and delays. As a result, we may continue to incur operating losses for the foreseeable future. These losses will continue to have an adverse impact on our shareholders' equity, and we may never achieve or sustain profitability.

We have transitioned our U.S. sales channel from a network of independent sales agencies that sold our full product portfolio to a combination of direct sales teams and independent sales agencies that, for the most part, are individually focused on selling either upper extremity products or lower extremity products across the territories that they serve. This transition has had, and may continue to have, an adverse effect on our operations and operating results and, ultimately, may not prove to be successful.

In the United States, we historically had a single sales channel that consisted of a network of independent commission-based sales agencies, along with direct sales representation in certain territories. We have transitioned to a combination of direct sales teams and independent sales agencies that, for the most part, are individually focused on selling either upper extremity products or lower extremity products across the territories that they serve. We believe this strategy provides increased focus to our sales teams and allows us to increase the product proficiency of our sales representatives and increase our selling opportunities by improving our overall procedure coverage, leveraging our entire product portfolio, and accessing new specialists, general surgeons and accounts. However, we may be incorrect and it is possible that our separate sales strategy may be unsuccessful.

To create these separate upper and lower extremity sales channels, we terminated relationships with certain independent sales agencies and transitioned these territories to new agencies or established direct sales representation; acquired sales agencies and established direct sales representation; or transitioned an upper or lower extremity product portfolio between agencies or from an agency to a new direct sales team. This transition caused disruption in our U.S. sales channel during 2014 and 2013 and it is possible that this disruption may continue into 2015 as we hire additional sales representatives and educate, train and optimize our sales teams. It is also possible that we may become subject to litigation and incur future charges and cash expenditures in connection with this transition, which charges and cash expenditures would adversely affect our operating results.

We rely on distributors, independent sales agencies and their representatives to market and sell our products in certain territories. A failure to retain our existing relationships with these distributors, independent sales agencies and their representatives or additional changes and transitions with respect to our sales organization could have an adverse effect on our operations and operating results.

Our success is partially dependent upon our ability to retain and motivate our distributors, independent sales agencies and their representatives to sell our products in certain territories. We depend on their sales and service expertise and their relationships with surgeons in the marketplace. As of February 10, 2015, our distribution system in the United States consisted of approximately 170 direct sales representatives and approximately 20 independent sales agencies that sell our products. Internationally, we currently utilize several distribution approaches depending on individual market requirements and, as a result, as of February 10, 2015, our international distribution system consisted of 12 direct sales offices and approximately 25 distributors that sell our products in approximately 40 countries. As part of our strategy to grow internationally, we have selectively converted from distributor representation to direct sales representation in certain countries, including the United Kingdom, Denmark, Belgium, Luxembourg, Japan, Australia and Canada, and we have selectively converted from direct sales representation to distributor representation in certain countries, including Spain, during the past few years.

We do not control our distributors or independent sales agencies and they may not be successful in implementing our marketing plans. Some of our distributors and independent sales agencies do not sell our products exclusively and may offer similar products from other orthopaedic companies. Our distributors and independent sales agencies may terminate their contracts with us, may devote insufficient sales efforts to our products or may focus their sales efforts on other products that produce greater commissions for them. A failure to maintain our existing relationships with or changes and transitions with respect to our distributors and independent sales agencies and their representatives could have an adverse effect on our operations and operating results.

If we do not successfully develop and market new products and technologies and implement our business strategy, our business and operating results may be adversely affected.

We may not be able to successfully implement our business strategy either as an independent company or after the completion of our proposed merger with Wright. To implement our business strategy we need to, among other things, develop and introduce new extremity joint products, find new applications for and improve our existing products, properly identify and anticipate our surgeons' and their patients' needs, obtain regulatory clearances or approvals for new products and applications and educate surgeons about the clinical and cost benefits of our products. We are continually engaged in product development and improvement programs, and we expect new products to account for a significant portion of our future growth. If we do not continue to introduce new products and technologies, or if those products and technologies are not accepted, we may not be successful. Moreover, research and development efforts may require a substantial investment of time and resources before we are adequately able to determine the commercial viability of a new product, technology, material or innovation. Demand for our products also could change in ways we may not anticipate due to evolving customer needs, changing demographics, slow industry growth rates, evolving surgical philosophies and evolving industry standards, among others. Additionally, our competitors' new products and technologies may precede our products to market, may be more effective or less expensive than our products or may render our products obsolete. Our new products and technologies also could render our existing products obsolete and thus adversely affect sales of our existing products and lead to increased expense for excess and obsolete inventory. For example, we believe that sales of our Aequalis Ascend Flex convertible shoulder system may adversely affect demand for and sales of our other mature shoulder products. Our targeted surgeons practice in areas such as shoulder, upper extremities, lower extremities, sports medicine and reconstructive and general orthopaedics, and our strategy of focusing primarily on these surgeons may not be successful. Even if we successfully implement our business strategy, our operating results may not improve. We may decide to alter or discontinue aspects of our business strategy and may adopt different strategies due to business or competitive factors, which could negatively impact our operating results.

We may be unable to compete successfully against our existing or potential competitors, in which case our revenue and operating results may be negatively affected and we may not grow.

The market for orthopaedic devices is highly competitive and subject to rapid and profound technological change. Our success depends, in part, on our ability to maintain a competitive position in the development of technologies and products for use by our customers. We face competition from large diversified orthopaedic manufacturers, such as DePuy Orthopaedics, Inc., a Johnson & Johnson subsidiary, Zimmer Corporation, Biomet, Inc., Stryker Corporation and Smith & Nephew, Inc., and established mid-sized orthopaedic manufacturers, such as Arthrex, Inc., Wright Medical Group, Inc., Exactech, Inc. and Integra LifeSciences Corporation. Many of the companies developing or marketing competitive orthopaedic products enjoy several competitive advantages over us, including:

- greater financial and human resources for product development and sales and marketing;
- greater name recognition;
- established relationships with surgeons, hospitals and third-party payors;
- broader product lines and the ability to offer rebates or bundle products to offer greater discounts or incentives to gain a competitive advantage; and
- established sales and marketing and distribution networks.

We also compete against smaller, entrepreneurial companies with niche product lines. Some of our competitors have indicated an increased focus on the extremities market, which is our primary strategic focus. Our

competitors may develop and patent processes or products earlier than us, obtain regulatory clearances or approvals for competing products more rapidly than us, develop more effective or less expensive products or technologies that render our technology or products obsolete or non-competitive or acquire technologies and technology licenses complementary to our products or advantageous to our business. Not all of our sales and other personnel have non-compete agreements. We also compete with other organizations in recruiting and retaining qualified scientific, sales and management personnel. If our competitors are more successful than us in these matters, we may be unable to compete successfully against our existing or future competitors.

The impact of consolidation and acquisitions of competitors is difficult to predict and may harm our business.

The orthopaedic industry is intensely competitive and has been subject to increasing consolidation recently and over the last few years. For instance, in October 2014, we announced a merger with Wright Medical Group, Inc.; in June 2014, Stryker Corporation announced its acquisition of Bone Innovations, Inc. which it completed during third quarter of 2014; in May 2014, Smith & Nephew, Inc. acquired ArthroCare Corporation; in April 2014, Zimmer Holdings, Inc. announced its acquisition of Biomet, Inc.; Wright Medical Group, Inc. acquired OrthoPro in February 2014, Solana Surgical, LLC in January 2014 and Biotech International in November 2013 and Stryker Corporation acquired MAKO Surgical Corp. in December 2013. Consolidation in our industry not involving our company could result in existing competitors increasing their market share through business combinations and result in stronger competitors, which could have a material adverse effect on our business, financial condition and results of operations. We may be unable to compete successfully in an increasingly consolidated industry and cannot predict with certainty how industry consolidation will affect our competitors or us.

We derive a significant portion of our revenue from operations in markets outside the United States, which exposes us to additional risks.

We derive a significant portion of our revenue from operations in markets outside the United States. Our distribution system as of February 10, 2015, outside the United States consisted of 12 direct sales offices and approximately 25 distribution partners, who together sell in approximately 40 countries. Most of these countries are, to some degree, subject to political, economic and social instability. For 2014 and 2013, approximately 42% and 41% of our revenue, respectively, was derived from our operations outside the United States, including 19% of our revenue from France for both 2014 and 2013. Any material decrease in our international revenue may negatively affect our profitability. In the future, we intend to further expand our international operations into key markets, such as Brazil and China, as we have done, for example, in 2013, when we acquired certain assets of our distributors in Australia, Canada and the United Kingdom and established direct sales forces in such countries. Our international sales operations expose us and our representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- the imposition of additional U.S. and foreign governmental controls or regulations on orthopaedic implants and biologics products;
- the imposition of costly and lengthy new export and import license requirements;
- the imposition of U.S. or international sanctions against a country, company, person or entity with whom we do business that would restrict or prohibit continued business with that country, company, person or entity;
- economic instability, including the European sovereign debt crisis and the austerity measures taken and to be taken by certain countries in response to such crisis, and the currency risk between the U.S. dollar and foreign currencies in our target markets;
- the imposition of restrictions on the activities of foreign agents, representatives and distributors;
- scrutiny of foreign tax authorities, which could result in significant fines, penalties and additional taxes being imposed upon us;
- a shortage of high-quality international salespeople and distributors;
- loss of any key personnel who possess proprietary knowledge or are otherwise important to our success in international markets;
- significant and financially debilitating product liability exposure of which we are currently unaware;

- changes in third-party reimbursement policies that may require some of the patients who receive our products to directly absorb medical costs or that may require us to sell our products at lower prices;
- unexpected changes in foreign regulatory requirements;
- differing local product preferences and product requirements;
- changes in tariffs and other trade restrictions;
- work stoppages or strikes in the healthcare industry;
- difficulties in enforcing and defending intellectual property rights;
- foreign exchange controls that might prevent us from repatriating cash earned in countries outside the Netherlands;
- complex data privacy requirements and labor relations laws; and
- exposure to different legal and political standards.

Not only are we subject to the laws of jurisdictions located outside the United States in which we do business, but we also are subject to U.S. laws governing our activities in foreign countries, including various import-export laws, customs and import laws, anti-boycott laws and embargoes. For example, the FDA Export Reform and Enhancement Act of 1996 requires that, when exporting medical devices from the United States for sale in a foreign country, depending on the type of product being exported, the regulatory status of the product and the country to which the device is exported, we must ensure, among other things, that the device is produced in accordance with the specifications of the foreign purchaser; not in conflict with the laws of the country to which it is intended for export; labeled for export; and not offered for sale domestically. In addition, we must maintain records relevant to product export and, if requested by the foreign government, obtain a certificate of exportability. In some instances, prior notification to or approval from the FDA is required prior to export. The FDA can delay or deny export authorization if all applicable requirements are not satisfied. Imports of approved medical devices into the United States also are subject to requirements including registration of establishment, listing of devices, manufacturing in accordance with the quality system regulation, medical device reporting of adverse events, and premarket notification 510(k) clearance or premarket approval, or PMA, among others and if applicable. If our business activities were determined to violate these laws, regulations or rules, we could suffer serious consequences.

In addition, a portion of our international revenue is made through distributors. As a result, we are dependent upon the financial health of our distributors. We also are dependent upon the compliance of our distributors with foreign laws and the U.S. Foreign Corrupt Practices Act, or the FCPA, as it relates to certain "facilitating" payments made to those employed by or acting on behalf of a foreign government in the procurement, sale and prescription of medical devices. If a distributor were to go out of business, it would take substantial time, cost and resources to find a suitable replacement and the products held by such distributor may not be returned to us or to a subsequent distributor in a timely manner or at all.

Disruption and turmoil in global credit and financial markets, which may be exacerbated by the inability of certain countries to continue to service their sovereign debt obligations and certain austerity measures countries have implemented, and the possible negative implications of such events to the global economy, may negatively impact our business, operating results and financial condition.

A substantial portion of our revenue outside the United States is generated in the European Union, or EU, including in particular France. The credit and economic conditions within certain European Union countries, including France, Greece, Ireland, Italy, Portugal and Spain in particular, and the possibility that they may default on their debt obligations, have contributed to instability in global credit and financial markets during the past couple of years. The continued possibility that such EU member states may default on their debt obligations, the continued uncertainty regarding international and the European Union's financial support programs and the continued possibility that other EU member states may experience similar financial troubles could further disrupt global credit and financial markets. While the ultimate outcome of these events cannot be predicted, it is possible that such events could continue to have a negative effect on the global economy as a whole, and our business, operating results and financial condition, in particular. For example, if the European sovereign debt crisis continues or worsens, the negative implications to the global economy and us could be significant. Since a significant amount of our trade receivables are with hospitals that are dependent upon governmental health care systems in many countries, repayment of such receivables is dependent upon the financial stability of the economies of those

countries. A deterioration of economic conditions in such countries may increase the average length of time it takes for us to collect on our outstanding accounts receivable in these countries or even our ability to collect such receivables.

In addition, if the European sovereign debt crisis continues or worsens, the value of the Euro could deteriorate or lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro currency entirely, all of which could negatively impact our business, operating results and financial condition in light of our substantial operations in and revenues derived from customers in the European Union. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of our Euro denominated assets and obligations. In addition, concerns over the effect of this financial crisis on financial institutions in Europe and globally could lead to tightening of the credit and financial markets, which could negatively impact the ability of companies to borrow money from their existing lenders, obtain credit from other sources or raise financing to fund their operations. This could negatively impact our customers' ability to purchase our products, our suppliers' ability to provide us with materials and components and our ability, if needed, to finance our operations on commercially reasonable terms, or at all. We believe that European governmental austerity policies have reduced and may continue to reduce the amount of money available to purchase medical products, including our products. These austerity measures could negatively impact overall procedure volumes and result in increased pricing pressure for our products and the products of our competitors. Any or all of these events, as well as any additional austerity measures that may be taken which, among other things, could result in decreased utilization, pricing and reimbursement, could negatively impact our business, operating results and financial condition.

Weakness in the global economy is likely to adversely affect our business until an economic recovery is underway.

Many of our products are used in procedures covered by private insurance, and some of these procedures may be considered elective. We believe that weakness in the global economy may reduce the availability or affordability of private insurance or may affect patient decisions to undergo elective procedures. If current economic conditions do not continue to recover or worsen, we expect that increasing levels of unemployment and pressures to contain healthcare costs could adversely affect the global growth rate of procedure volume, which could have a material adverse effect on our revenue and operating results.

Fluctuations in foreign currency rates could result in declines in our reported revenue and earnings.

A substantial portion of our revenue outside the United States is generated in Europe and other countries in Latin America and Asia where the amounts are denominated in currencies other than the U.S. dollar. For purposes of preparing our consolidated financial statements, these amounts are converted into U.S. dollars, the value of which varies with currency exchange rate fluctuations. For revenue not denominated in U.S. dollars, if there is an increase in the value of the U.S. dollar relative to the specified foreign currency, we will receive less in U.S. dollars than before the increase in the exchange rate, which could negatively impact our operating results. Although we address currency risk management through regular operating and financing activities, and more recently through hedging activities, those actions may not prove to be fully effective, and hedging activities involve additional risks.

Our business plan relies on assumptions about the market for our products, which, if incorrect, may adversely affect our revenue.

We believe that the aging of the general population and increasingly active lifestyles and expectations regarding "quality of life" will continue and that these trends will increase the need for our products. We also believe that if clinical outcomes are improved as a result of extremity procedures over alternative treatments or no treatment, awareness regarding such extremity procedures will increase, more surgeons will recommend extremity procedures and more patients will elect to undergo them as opposed to alternative treatments or no treatment. Since most of our products are designed specifically for extremities and early intervention, we believe the market for our extremities products in particular will continue to grow. The actual demand for our products, however, could differ materially from our projected demand if our assumptions regarding these trends and acceptance of our products by the medical community prove to be incorrect or do not materialize, or if non-surgical treatments gain more

widespread acceptance as a viable alternative to our orthopaedic implants. If this occurs, our revenue and other operating results could be adversely affected.

Our upper extremity joints and trauma products, including in particular our shoulder products, generate a significant portion of our revenue. Accordingly, if revenue of these products were to decline, our operating results would be adversely affected.

Our upper extremity joints and trauma products, which includes joint implants and bone fixation devices for the shoulder, hand, wrist and elbow, generate a significant portion of our revenue. During 2014 and 2013, our upper extremity joints and trauma products generated approximately 62% and 59% of our revenue, respectively. We expect the shoulder to continue to be the largest and most important product category for us for the foreseeable future, especially in light of the success of our Aequalis Ascend Flex. However, our expectations may prove to be incorrect and it is possible that the market acceptance of the Aequalis Ascend Flex will not meet our expectations or may have the effect of negatively impacting sales of our other shoulder products. A decline in our upper extremity joints and trauma product revenue as a result of lack of market acceptance of new products, the effect of new products on sales of existing products, increased competition, regulatory matters, intellectual property matters or any other reason would negatively impact our operating results.

We obtain some of our products through private-label distribution agreements that subject us to minimum performance and other criteria. Our failure to satisfy those criteria could cause us to lose those rights of distribution

We have entered into private-label distribution agreements with manufacturers of some of our products. These manufacturers brand their products according to our specifications, and we may have exclusive rights in certain fields of use and territories to sell these products subject to minimum purchase, sales or other performance criteria. Though these agreements do not individually or in the aggregate represent a material portion of our business, if we do not meet these performance criteria, or fail to renew these agreements, we may lose exclusivity in a field of use or territory or cease to have any rights to these products, which could have an adverse effect on our revenue. Furthermore, some of these manufacturers may be smaller, undercapitalized companies that may not have sufficient resources to continue operations or to continue to supply us sufficient product without additional access to capital.

If our private-label manufacturers fail to provide us with sufficient supply of their products, or if their supply fails to meet appropriate quality requirements, our business could suffer.

Our private-label manufacturers are sole source suppliers of the products we purchase from them. Given the specialized nature of the products they provide, we may not be able to locate or establish additional or replacement manufacturers of these products. Moreover, these private-label manufacturers typically own the intellectual property associated with their products, and even if we could find a replacement manufacturer for the product, we may not have sufficient rights to enable the replacement party to manufacture the product. While we have entered into agreements with our private-label manufacturers that we believe will provide us sufficient quantities of products, we cannot assure you that they will do so, or that any products they do provide us will not contain defects in quality. Our private-label manufacturing agreements have terms expiring between this year and 2016 and are renewable under certain conditions or by mutual agreement. The agreements also include some or all of the following provisions allowing for termination under certain circumstances: (i) either party's uncured material breach of the terms and conditions of the agreement; (ii) either party filing for bankruptcy, being bankrupt or becoming insolvent, suspending payments, dissolving or ceasing commercial activity; (iii) our inability to meet market development milestones and ongoing sales targets; (iv) termination without cause, provided that payments are made to the distributor; (v) a merger or acquisition of one of the parties by a third party; (vi) the enactment of a government law or regulation that restricts either party's right to terminate or renew the contract or invalidates any provision of the agreement or (vii) the occurrence of a "force majeure," including natural disaster, explosion or war.

We also rely on these private-label manufacturers to comply with the regulations of the FDA, the competent authorities of the Member States of the European Economic Area, or EEA, or foreign regulatory authorities and their failure to comply with strictly enforced regulatory requirements could expose us to regulatory action including warning letters, product recalls, termination of distribution, product seizures or civil penalties. Any

quality control problems that we experience with respect to products manufactured by our private-label manufacturers, any inability by us to provide our customers with sufficient supply of products or any investigations or enforcement actions by the FDA, the competent authorities of the Member States of the EEA or other foreign regulatory authorities could adversely affect our reputation or commercialization of our products and adversely and materially affect our business and operating results.

We intend to continue to bring in-house the manufacturing of certain of our products that are currently manufactured by third parties. Should we encounter difficulties in manufacturing these or other products, it could adversely affect our business.

We intend to continue our initiative to bring in-house the manufacturing of certain of our products, including in particular our Aequalis Ascend and Simpliciti shoulder products. The technology and the manufacturing process for our shoulder products is highly complex, involving a large number of unique parts, and we may encounter difficulties in manufacturing these products in-house. There is no assurance that we will be able to meet the volume and quality requirements associated with our shoulder products. In addition, other products that we choose to bring in-house could encounter similar difficulties. Manufacturing and product quality issues may also arise as we increase the scale of our production. If our products do not consistently meet our customers' performance expectations, our reputation may be harmed, and we may be unable to generate sufficient revenue to become profitable. Any delay or inability in bringing in-house the manufacturing of our products could diminish our ability to sell our products, which could result in lost revenue and seriously harm our business, financial condition and operating results.

Failure to comply with the U.S. Foreign Corrupt Practices Act could subject us to, among other things, penalties and legal expenses that could harm our reputation and have a material adverse effect on our business, financial condition and operating results.

Our U.S. operations, including those of our U.S. operating subsidiaries, Tornier, Inc. and OrthoHelix Surgical Designs, Inc., are subject to the U.S. Foreign Corrupt Practices Act. We are required to comply with the FCPA, which generally prohibits covered entities and their intermediaries from engaging in bribery or making other prohibited payments to foreign officials for the purpose of obtaining or retaining business or other benefits. In addition, the FCPA imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of "off books" slush funds from which such improper payments can be made. We also are subject to similar anticorruption legislation implemented in Europe under the Organization for Economic Co-operation and Development's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. We either operate or plan to operate in a number of jurisdictions that pose a high risk of potential violations of the FCPA and other anticorruption laws, such as China and Brazil, and we utilize a number of third-party sales representatives for whose actions we could be held liable under the FCPA. We inform our personnel and third-party sales representatives of the requirements of the FCPA and other anticorruption laws, including, but not limited to their reporting requirements. We also have developed and will continue to develop and implement systems for formalizing contracting processes, performing due diligence on agents and improving our recordkeeping and auditing practices regarding these regulations. However, there is no guarantee that our employees, third-party sales representatives or other agents have not or will not engage in conduct undetected by our processes and for which we might be held responsible under the FCPA or other anticorruption laws.

If our employees, third-party sales representatives or other agents are found to have engaged in such practices, we could suffer severe penalties, including criminal and civil penalties, disgorgement and other remedial measures, including further changes or enhancements to our procedures, policies and controls, as well as potential personnel changes and disciplinary actions. During the past few years, the SEC has increased its enforcement of violations of the FCPA against companies, including several medical device companies. Although we do not believe we are currently a target, any investigation of any potential violations of the FCPA or other anticorruption laws by U.S. or foreign authorities also could have an adverse impact on our business, financial condition and operating results.

Certain foreign companies, including some of our competitors, are not subject to prohibitions as strict as those under the FCPA or, even if subjected to strict prohibitions, such prohibitions may be laxly enforced in practice. If our competitors engage in corruption, extortion, bribery, pay-offs, theft or other fraudulent practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business, or from government officials, who might give them priority in obtaining new licenses, which would put us at a disadvantage.

If we lose one of our key suppliers, we may be unable to meet customer orders for our products in a timely manner or within our budget.

We use a number of suppliers for raw materials and select components that we need to manufacture our products. These suppliers must provide the materials and components to our standards for us to meet our quality and regulatory requirements. We obtain some key raw materials and select components from a single source or a limited number of sources. For example, we rely on one supplier for raw materials and select components in several of our products, including Poco Graphite, Inc., which supplies graphite for our pyrocarbon products; CeramTec AG, or CeramTec, which supplies ceramic for ceramic heads for hips; and Heymark Metals Ltd., which supplies cobalt chrome used in certain of our hip, shoulder and elbow products. Establishing additional or replacement suppliers for these components, and obtaining regulatory clearances or approvals that may result from adding or replacing suppliers, could take a substantial amount of time, result in increased costs and impair our ability to produce our products, which would adversely impact our business and operating results. We do not have long-term or other supply contracts with our sole source suppliers and instead rely on purchase orders. As a result, those suppliers may elect not to supply us with product or to supply us with less product than we need, and we will have limited rights to cause them to do otherwise. In addition, some of our products, which we acquire from third parties, are highly technical and are required to meet exacting specifications, and any quality control problems that we experience with respect to the products supplied by third parties could adversely and materially affect our reputation or commercialization of our products and adversely and materially affect our business, operating results and prospects. Furthermore, some of these suppliers are smaller companies. To the extent that any of these suppliers are, or become, undercapitalized and do not otherwise have sufficient resources to continue operations or to supply us sufficient product without additional access to capital, such a failure could adversely affect our business. We also may have difficulty obtaining similar components from other suppliers that are acceptable to the FDA, the competent authorities or notified bodies of the Member States of the EEA, or foreign regulatory authorities and the failure of our suppliers to comply with strictly enforced regulatory requirements could expose us to regulatory action including warning letters, product recalls, termination of distribution, product seizures or civil penalties. Furthermore, since many of these suppliers are located outside of the United States, we are subject to foreign export laws and U.S. import and customs regulations, which complicate and could delay shipments of components to us. For example, all foreign importers of medical devices are required to meet applicable FDA requirements, including registration of establishment, listing of devices, manufacturing in accordance with the quality system regulation, medical device reporting of adverse events, and premarket notification 510(k) clearance or PMA, if applicable. In addition, all imported medical devices also must meet U.S. Customs and Border Protection requirements. While it is our policy to maintain sufficient inventory of materials and components so that our production will not be significantly disrupted even if a particular component or material is not available for a period of time, we remain at risk that we will not be able to qualify new components or materials quickly enough to prevent a disruption if one or more of our suppliers ceases production of important components or materials.

Sales volumes may fluctuate depending on the season and our operating results may fluctuate over the course of the year.

Our business is somewhat seasonal in nature, as many of our products are used in elective procedures, which typically decline during the summer months and can increase at the end of the year once annual deductibles have been met on health insurance plans. Additionally, elective procedures typically decline in certain parts of Europe during the third quarter of the year due to holiday and vacation schedules. We have experienced and expect to continue to experience meaningful variability in our revenue and gross profit among quarters, as well as within each quarter, as a result of a number of factors, including, among other things:

- transitions to direct selling models in certain geographies and the transition of our U.S. sales channel towards focusing separately on upper and lower extremity products;
- the number and mix of products sold in the quarter and the geographies in which they are sold;
- the demand for, and pricing of, our products and the products of our competitors;
- the timing of or failure to obtain regulatory clearances or approvals for products
- costs, benefits and timing of new product introductions;
- the level of competition;
- the timing and extent of promotional pricing or volume discounts;
- changes in average selling prices;
- the availability and cost of components and materials;
- the number of selling days;
- fluctuations in foreign currency exchange rates;
- the timing of patients' use of their calendar year medical insurance deductibles; and
- impairment and other special charges.

We may not achieve our financial guidance or projected goals and objectives in the time periods that we anticipate or announce publicly, which could have an adverse effect on our business and could cause the market price of our ordinary shares to decline.

On a quarterly basis, we typically provide projected financial information, such as our anticipated quarterly and annual revenues, adjusted earnings before interest, taxes and depreciation and net loss. These financial projections are based on management's then current expectations and typically do not contain any significant margin of error or cushion for any specific uncertainties or for the uncertainties inherent in all financial forecasting. The failure to achieve our financial projections or the projections of analysts and investors could have an adverse effect on our business, disappoint analysts and investors and cause the market price of our ordinary shares to decline. Our revenue performance has been outside of our guidance range in certain quarters, which negatively impacted the market price of our ordinary shares, and could do so in the future should our results fall below our guidance range and the expectations of analysts and investors.

We also set goals and objectives for, and make public statements regarding, the timing of certain accomplishments and milestones regarding our business, such as the timing of new products, regulatory actions and anticipated distributor and sales representative transitions. The actual timing of these events can vary dramatically due to a number of factors including the risk factors described in this report. As a result, there can be no assurance that we will succeed in achieving our projected goals and objectives in the time periods that we anticipate or announce publicly. The failure to achieve such projected goals and objectives in the time periods that we anticipate or announce publicly could have an adverse effect on our business, disappoint investors and analysts and cause the market price of our ordinary shares to decline.

If product liability lawsuits are brought against us, our business may be harmed.

The manufacture and sale of orthopaedic medical devices exposes us to significant risk of product liability claims. In the past, we have had a small number of product liability claims relating to our products, none of which either individually, or in the aggregate, have resulted in a material negative impact on our business. In the future, we may be subject to additional product liability claims, some of which may have a negative impact on our business. Such claims could divert our management from pursuing our business strategy and may be costly to defend. Regardless of the merit or eventual outcome, product liability claims may result in:

- decreased demand for our products;
- injury to our reputation;
- significant litigation and other costs;
- substantial monetary awards to or costly settlements with patients;
- product recalls;

- loss of revenue; and
- the inability to commercialize new products or product candidates.

Our existing product liability insurance coverage may be inadequate to protect us from any liabilities we might incur. If a product liability claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, our business and operating results could suffer. In addition, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses. Any claims against us, regardless of their merit, could severely harm our financial condition, strain our management and other resources and adversely affect or eliminate the prospects for commercialization or sales of a product or product candidate which is the subject of any such claim. In addition, a recall of our products, whether or not as a result of a product liability claim, could result in decreased demand for our products, injury to our reputation, significant litigation and other costs, substantial monetary awards to or costly settlements with patients, loss of revenue and our inability to commercialize new products or product candidates.

Our inability to maintain adequate working relationships with external research and development consultants and surgeons could have a negative impact on our ability to develop and sell new products.

We maintain professional working relationships with external research and development consultants and leading surgeons and medical personnel in hospitals and universities who assist in product research and development and training. We continue to emphasize the development of proprietary products and product improvements to complement and expand our existing product lines. It is possible that U.S. federal and state and international laws requiring us to disclose payments or other transfers of value, such as free gifts or meals, to physicians and other healthcare providers could have a chilling effect on these relationships with individuals or entities that may, among other things, want to avoid public scrutiny of their financial relationships with us. If we are unable to maintain these relationships, our ability to develop and sell new and improved products could decrease, and our future operating results could be unfavorably affected.

We incur significant expenditures of resources to maintain relatively high levels of inventory and instruments, which can reduce our cash flows.

As a result of the need to maintain substantial levels of inventory and instruments, we are subject to the risk of obsolescence. The nature of our business requires us to maintain a substantial level of inventory and instruments. For example, our total consolidated inventory balance was $88.7 million and $87.0 million at December 28, 2014 and December 29, 2013, respectively, and our total consolidated instrument balance was $62.9 million and $63.1 million at December 28, 2014 and December 29, 2013, respectively. In order to market effectively we often must maintain and bring our customers instrument kits, back-up products and products of different sizes. In the event that a substantial portion of our inventory becomes obsolete, it could have a material adverse effect on our earnings and cash flows due to the resulting costs associated with inventory impairment charges and costs required to replace such inventory.

Our business and operating results may suffer if our manufacturing capacity does not match the demand for our products.

Because we cannot immediately adapt our manufacturing capacity and related cost structures to rapidly changing market conditions, our operating results may be adversely affected when demand does not match our current manufacturing capacity. During 2014, we experienced increased demand for certain of our hip products due to increased case volume in Europe from a new minimally invasive surgical technique. While we do not expect the increased hip procedure volume to continue in future quarters, this increased demand has strained and may continue to strain our manufacturing capacity for these products, as well as our extremities products which also are manufactured at our manufacturing facilities. We cannot guarantee that we will be able to increase manufacturing capacity to a level that meets demand for our products. If we cannot increase our manufacturing capacity to meet product demand, we will not be able to fulfill orders in a timely manner which could lead to order cancellations, contract breaches or indemnification obligations. This may result in the loss of customers, provide an opportunity for competing products to gain market share and otherwise adversely affect our operating results. However, if we overestimate demand for our products and overbuild our capacity, we may have significantly underutilized assets

and we may experience reduced margins. If we do not accurately align our manufacturing capabilities with demand, it could have a material adverse effect on our business operating results.

Our proposed merger with Wright and our previous business combinations or acquisitions and any additional business combinations or acquisitions and efforts to combine with, acquire and integrate other companies or product lines could adversely affect our operations and financial results.

In October 2014, we announced a proposed merger with Wright. During 2013, we acquired certain assets of our distributors in Australia, Canada and the United Kingdom and established direct sales forces in such countries and acquired certain assets of some of our independent sales agencies in the United States and established direct sales forces in certain territories. During fourth quarter of 2012, we acquired OrthoHelix, a company focused on developing and marketing specialty implantable screw and plate systems for the repair of small bone fractures and deformities predominantly in the foot and ankle. In addition, we may pursue additional business combinations or acquisitions of other distributors, companies or product lines. A successful business combination or acquisition depends on our ability to identify, negotiate, complete and integrate such combination partner or acquisition and to obtain any necessary financing. With respect to our proposed or completed business combinations and acquisitions and any future business combinations and acquisitions, we may experience:

- difficulties in integrating the combined or acquired businesses and their respective personnel and products into our existing business;
- difficulties in integrating commercial organizations, including in particular distribution and sales representative arrangements;
- difficulties or delays in realizing the anticipated benefits of our proposed or recent combinations or acquisitions or any additional combined or acquired companies and their products;
- diversion of our management's time and attention from other business concerns;
- challenges due to limited or no direct prior experience in new markets or countries we may enter;
- the potential loss of key employees, including in particular sales and research and development personnel;
- the potential loss of key customers, distributors, representatives, vendors and other business partners who choose not to do business with our company post-acquisition;
- inability to effectively coordinate sales and marketing efforts to communicate our capabilities post-acquisition and coordinate sales organizations to sell our combined products;
- inability to successfully develop new products and services on a timely basis that address our new market opportunities post-acquisition;
- inability to compete effectively against companies already serving the broader market opportunities expected to be available to us post-acquisition;
- difficulties in the assimilation of different corporate cultures, practices and sales and distribution methodologies, as well as in the assimilation and retention of geographically dispersed, decentralized operations and personnel;
- unanticipated costs, litigation and other contingent liabilities;
- incurrence of acquisition and integration related costs, accounting charges, or amortization costs for acquired intangible assets;
- potential write-down of goodwill, acquired intangible assets and/or deferred tax assets;
- additional legal, financial and accounting challenges and complexities in areas such as intellectual property, tax planning, cash management and financial reporting; and
- any unforeseen compliance risks and accompanying financial and reputational exposure or loss not uncovered in the due diligence process and which are imputed to us, such as compliance with federal laws and regulations, the advertising and promotion regulations under the federal Food, Drug and Cosmetic Act, the Anti-kickback Statute, the False Claims Act, the Physician Payments Sunshine Act, HIPAA and other applicable laws.

In addition, we may have to incur debt or issue equity securities to pay for a combination or acquisition, the issuance of which could involve restrictive covenants or be dilutive to our existing shareholders. Business

combinations or acquisitions also could materially impair our operating results by requiring us to amortize acquired assets. For example, as a result of our acquisition of OrthoHelix, we incurred additional indebtedness under two senior secured term loans, the proceeds of which were used to fund our acquisition of OrthoHelix and retire certain then existing indebtedness.

In addition, effective internal controls are necessary for us to provide reliable and accurate financial reports and to effectively prevent fraud. The integration of combined or acquired businesses is likely to result in our systems and controls becoming increasingly complex and more difficult to manage. We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. However, we cannot be certain that these measures will ensure that we design, implement and maintain adequate control over our financial processes and reporting in the future, especially in the context of acquisitions of other businesses. Any difficulties in the assimilation of combined or acquired businesses into our control system could harm our operating results or cause us to fail to meet our financial reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

All of the risks described above may be exacerbated if we effect multiple business combinations or acquisitions during a short period of time.

If we cannot attract and retain our key personnel, we may not be able to manage and operate successfully, and we may not be able to meet our strategic objectives.

Our future success depends, in large part, upon our ability to attract and retain and motivate our management team and key managerial, scientific, sales and technical personnel. Key personnel may depart because of difficulties with change or a desire not to remain with our company, especially in light of our proposed merger with Wright. Any unanticipated loss or interruption of services of our management team and our key personnel could significantly reduce our ability to meet our strategic objectives because it may not be possible for us to find appropriate replacement personnel should the need arise. In addition, we have hired and expect to continue to hire additional sales personnel, especially in territories where we have recently commenced direct sales operations. We compete for personnel with other companies, academic institutions, governmental entities and other organizations. There is no guarantee that we will be successful in retaining our current personnel or in hiring or retaining qualified personnel in the future. Loss of key personnel or the inability to hire or retain qualified personnel in the future could have a material adverse effect on our ability to operate successfully. Further, any inability on our part to enforce non-compete arrangements related to key personnel who have left the company could have a material adverse effect on our business.

Fluctuations in insurance cost and availability could adversely affect our profitability or our risk management profile.

We hold a number of insurance policies, including product liability insurance, directors' and officers' liability insurance, property insurance and workers' compensation insurance. If the costs of maintaining adequate insurance coverage should increase significantly in the future, our operating results could be materially adversely affected. Likewise, if any of our current insurance coverage should become unavailable to us or become economically impractical, we would be required to operate our business without indemnity from commercial insurance providers.

If a natural or man-made disaster, including as a result of climate change or weather, adversely affects our manufacturing facilities or distribution channels, we could be unable to manufacture or distribute our products for a substantial amount of time and our revenue could decline.

We principally rely on three manufacturing facilities, two of which are in France and one of which is in Ireland. The facilities and the manufacturing equipment we use to produce our products would be difficult to replace and could require substantial lead-time to repair or replace. For example, the machinery associated with our manufacturing of pyrocarbon in one of our French facilities is highly specialized and would take substantial lead-time and resources to replace. We also maintain a facility in Bloomington, Minnesota, and a warehouse in Montbonnot, France, both of which contain large amounts of our inventory. Our facilities, warehouses or

distribution channels may be affected by natural or man-made disasters. Further, such may be exacerbated by climate change, as some scientists have concluded that climate change could result in the increased severity of and perhaps more frequent occurrence of extreme weather patterns. For example, in the event of a tornado at one of our warehouses, we may lose substantial amounts of inventory that would be difficult to replace. In the event our facilities, warehouses or distribution channels are affected by a disaster, we would be forced to rely on, among others, third-party manufacturers and alternative warehouse space and distribution channels, which may or may not be available, and our revenue could decline. Although we believe we possess adequate insurance for damage to our property and the disruption of our business from casualties, such insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms or at all.

We may be unable to raise capital when needed, which would force us to delay, reduce, eliminate or abandon our commercialization efforts or product development programs.

If our proposed merger with Wright is not completed, there is no guarantee that our anticipated cash flow from operations will be sufficient to meet all of our cash requirements during the next few years. We intend to continue to make investments to support our business growth and may require additional funds to:

- continue our research and development;
- develop, obtain required regulatory approvals or clearances and commercialize new products;
- make changes in our distribution channels;
- defend, in litigation or otherwise, any claims that we infringe third-party patents or other intellectual property rights and enforce our patent and other intellectual property rights; and
- acquire companies and in-license products or intellectual property.

We believe that our cash and cash equivalents balance of $27.9 million as of December 28, 2014, anticipated cash receipts generated from revenue of our products and available credit under our $30.0 million senior secured revolving credit facility, will be sufficient to meet our anticipated cash requirements for at least the next 12 months. However, our future funding requirements will depend on many factors, including:

- our proposed merger with Wright;
- our future revenues and expenses;
- required regulatory approval, commercial introduction and market acceptance of our products;
- the scope, rate of progress and cost of our clinical trials;
- the cost of our research and development activities;
- the cost and timing of additional regulatory clearances or approvals;
- the cost and timing of expanding our sales, marketing and distribution capabilities;
- the cost and timing of our product offering inventories;
- the cost of filing and prosecuting patent applications and defending and enforcing our patent and other intellectual property rights;
- the cost of defending, in litigation or otherwise, any claims that we infringe third-party patent or other intellectual property rights;
- the cost of defending any claims of product liability, or other claims against us, such as contract liabilities;
- our ability to collect amounts receivable from customers;
- the effect of competing technological and market developments; and
- the extent to which we acquire or invest in additional businesses, products and technologies.

In the event that we would require additional working capital to fund future operations, we could seek to acquire that through additional equity or debt financing arrangements which may or may not be available on favorable terms at such time. If we raise additional funds by issuing equity securities, our shareholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt, in addition to those under our existing credit facilities. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our shareholders. If we do not have, or are not able to

obtain, sufficient funds, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to reduce marketing, customer support or other resources devoted to our products or cease operations.

Any lack of borrowing availability under our credit facility and our potential inability to obtain replacement sources of credit could materially affect our operations and financial condition.

Although as of December 28, 2014, we had $24.0 million in available credit under our $30.0 million senior secured revolving credit facility, our ability to draw on our credit facility may be limited by outstanding letters of credit or by operating and financial covenants under our the credit agreement. There can be no assurances that we will continue to have access to credit if our operating and financial performance do not satisfy these covenants. If we do not satisfy these criteria, and if we are unable to secure necessary waivers or other amendments from the lenders of our credit facility, we will not have access to this credit.

Both the $30.0 million revolving credit facility and the $61.7 million term loan under our credit agreement as of December 28, 2014 are secured by all of our assets (subject to certain exceptions) and except to the extent otherwise permitted under the terms of our credit agreement, our assets cannot be pledged as security for other indebtedness. These limits on our ability to offer collateral to other sources of financing could limit our ability to obtain other financing which could materially affect our operations and financial condition. Our merger agreement with Wright also contains limits on our ability to borrow additional funds.

We believe that our anticipated operating cash flows, on-hand cash levels and access to credit will give us the ability to meet our financing needs for at least the next 12 months, assuming we do not merge with Wright. However, there can be no assurance that they will do so. Any lack of borrowing availability under our revolving credit facility and our potential inability to obtain replacement sources of credit could materially affect our operations and financial condition.

We are leveraged financially, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to satisfy our future research and development needs, to protect and enforce our intellectual property and other needs.

We have significant indebtedness. As of December 28, 2014, we had a senior secured term loan outstanding in the amount of $61.7 million, net of unamortized discount of $2.3 million. In addition, as of December 28, 2014, we have $30.0 million of credit availability under our senior secured revolving line of credit, $6.0 million of which was used as of such date. The degree to which we are leveraged could have important consequences, including, but not limited to, the following:

- our ability to utilize our existing available credit under our senior secured revolving line of credit or our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, litigation, general corporate or other purposes may be limited;
- a substantial portion of our cash flows from operations in the future will be dedicated to the payment of principal and interest on our indebtedness, including the requirement that certain excess cash flows and certain net proceeds of asset dispositions (including from condemnation or casualty) and certain new indebtedness be applied to prepayment of our senior secured terms loans; and
- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

A failure to comply with the covenants and other provisions of our credit agreement could result in events of default under such agreement, which could require the immediate repayment of our outstanding indebtedness. If we are at any time unable to generate sufficient cash flows from operations to service our indebtedness when payment is due, we may be required to attempt to renegotiate the terms of the agreements relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that we will be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

Our credit agreement contains restrictive covenants that may limit our operating flexibility.

The agreement relating to our senior secured term loan and senior secured revolving credit facility contains operating covenants limiting our ability to transfer or dispose of assets, merge with or acquire other companies, make investments, pay dividends, incur additional indebtedness and liens, make capital expenditures and conduct transactions with affiliates, and financial covenants requiring us to meet certain financial ratios. We, therefore, may not be able to engage in any of the foregoing transactions or in any that would cause us to breach these financial covenants until our current debt obligations are paid in full or we obtain the consent of the lenders. There is no guarantee that we will be able to generate sufficient cash flow or revenue to meet these operating and financial covenants or pay the principal and interest on our debt. Furthermore, there is no guarantee that future working capital, borrowings or equity financing will be available to repay or refinance any such debt. Our outstanding debt under our credit agreement will become due and payable immediately upon completion of our proposed merger with Wright.

Our operating results could be negatively impacted by future changes in the allocation of income to each of the entities through which we operate and to each of the income tax jurisdictions in which we operate.

We operate through multiple entities and in multiple income tax jurisdictions with different income tax rates both inside and outside the United States and the Netherlands. Accordingly, our management must determine the appropriate allocation of income to each such entity and each of these jurisdictions. Income tax audits associated with the allocation of this income and other complex issues, including inventory transfer pricing and cost sharing and product royalty arrangements, may require an extended period of time to resolve and may result in income tax adjustments if changes to the income allocation are required. Since income tax adjustments in certain jurisdictions can be significant, our future operating results could be negatively impacted by settlement of these matters.

Future changes in technology or market conditions could result in adjustments to our recorded asset balance for intangible assets, including goodwill, resulting in additional charges that could significantly impact our operating results.

Our consolidated balance sheet includes significant intangible assets, including $177.1 million in goodwill and $116.7 million in other acquired intangible assets, together representing 52% of our total assets as of December 28, 2014. The determination of related estimated useful lives and whether these assets are impaired involves significant judgments. Our ability to accurately predict future cash flows related to these intangible assets may be adversely affected by unforeseen and uncontrollable events. In the highly competitive medical device industry, new technologies could impair the value of our intangible assets if they create market conditions that adversely affect the competitiveness of our products. We test our goodwill for impairment in the fourth quarter of each year, but we also test goodwill and other intangible assets for impairment at any time when there is a change in circumstances that indicates that the carrying value of these assets may be impaired. Any future determination that these assets are carried at greater than their fair value could result in substantial non-cash impairment charges, which could significantly impact our reported operating results.

If reimbursement from third-party payors for our products becomes inadequate, surgeons and patients may be reluctant to use our products and our revenue may decline.

In the United States, healthcare providers who purchase our products generally rely on third-party payors, principally federal Medicare, state Medicaid and private health insurance plans, to pay for all or a portion of the cost of joint reconstructive procedures and products utilized in those procedures. We may be unable to sell our products on a profitable basis if third-party payors deny coverage or reduce their current levels of reimbursement. Our revenue depends largely on governmental healthcare programs and private health insurers reimbursing patients' medical expenses. As part of the Budget Control Act to extend the federal debt limit and reduce government spending, $1.2 trillion in automatic spending cuts (known as sequestration) are scheduled to occur over the next decade. Half of the automatic reductions are to come from lowering the caps imposed on non-defense discretionary spending and cutting domestic entitlement programs, including aggregate reductions in payments to Medicare providers of up to 2% per fiscal year. Subsequent legislation reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. We expect that additional state and

federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure.

To contain costs of new technologies, third-party payors are increasingly scrutinizing new treatment modalities by requiring extensive evidence of clinical outcomes and cost-effectiveness. Currently, we are aware of several private insurers who have issued policies that classify procedures using our Salto Talaris Prosthesis and Conical Subtalar Implants as experimental or investigational and denied coverage and reimbursement for such procedures. Surgeons, hospitals and other healthcare providers may not purchase our products if they do not receive satisfactory reimbursement from these third-party payors for the cost of the procedures using our products. Payors continue to review their coverage policies carefully for existing and new therapies and can, without notice, deny coverage for treatments that include the use of our products. If we are not successful in reversing existing non-coverage policies or other private insurers issue similar policies, this could have a material adverse effect on our business and operations.

In addition, some healthcare providers in the United States have adopted or are considering a managed care system in which the providers contract to provide comprehensive healthcare for a fixed cost per person. Healthcare providers may attempt to control costs by authorizing fewer elective surgical procedures, including joint reconstructive surgeries, or by requiring the use of the least expensive implant available. Changes in reimbursement policies or healthcare cost containment initiatives that limit or restrict reimbursement for our products may cause our revenue to decline.

If adequate levels of reimbursement from third-party payors outside of the United States are not obtained, international revenue of our products may decline. Outside of the United States, reimbursement systems vary significantly by country. Many foreign markets have government-managed healthcare systems that govern reimbursement for orthopaedic medical devices and procedures. Additionally, some foreign reimbursement systems provide for limited payments in a given period and therefore result in extended payment periods.

Consolidation in the healthcare industry could lead to demands for price concessions or to the exclusion of some suppliers from certain of our markets, which could have an adverse effect on our business, financial condition or operating results.

Because healthcare costs have risen significantly over the past decade, numerous initiatives and reforms initiated by legislators, regulators and third-party payors to curb these costs have resulted in a consolidation trend in the healthcare industry to create new companies with greater market power, including hospitals. As the healthcare industry consolidates, competition to provide products and services to industry participants has become and will continue to become more intense. This in turn has resulted and likely will continue to result in greater pricing pressures and the exclusion of certain suppliers from important market segments as group purchasing organizations, independent delivery networks and large single accounts continue to use their market power to consolidate purchasing decisions for some of our customers. We expect that market demand, government regulation, third-party reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances among our customers, which may reduce competition, exert further downward pressure on the prices of our products and may adversely impact our business, financial condition or operating results.

If we experience significant disruptions in our information technology systems, our business may be adversely affected.

We depend on our information technology systems for the efficient functioning of our business, including accounting, data storage, purchasing and inventory management. Currently, we have a non-interconnected information technology system; however, we have begun to implement a new enterprise resource planning system (ERP) across our significant operating locations. We expect that the ERP will take two to three years to implement; however, when complete it should enable management to better and more efficiently conduct our operations and gather, analyze, and assess business information. The ERP will require the investment of significant human and financial resources. As a result of the implementation, we may experience difficulties in our business operations, or difficulties in operating our business under the ERP, either of which could disrupt our operations, including our

ability to timely ship and track product orders, project inventory requirements, manage our supply chain, and otherwise adequately service our customers, and lead to increased costs and other difficulties. In the event we experience significant disruptions as a result of the ERP implementation, we may not be able to fix our systems in an efficient and timely manner. Accordingly, such events may disrupt or reduce the efficiency of our entire operation and have a material adverse effect on our operating results and cash flows.

Risks Related to Regulatory Environment

The sale of our products is subject to regulatory clearances or approvals and our business is subject to extensive regulatory requirements. If we fail to maintain regulatory clearances and approvals, or are unable to obtain, or experience significant delays in obtaining, FDA clearances or approvals for our future products or product enhancements, our ability to commercially distribute and market these products could suffer.

Our medical device products and operations are subject to extensive regulation by the FDA and various other federal, state and foreign governmental authorities. Government regulation of medical devices is meant to assure their safety and effectiveness, and includes regulation of, among other things:

- design, development and manufacturing;
- testing, labeling, packaging, content and language of instructions for use, and storage;
- clinical trials;
- product safety;
- premarket clearance and approval;
- marketing, sales and distribution (including making product claims);
- advertising and promotion;
- product modifications;
- recordkeeping procedures;
- reports of corrections, removals, enhancements, recalls and field corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- complying with the new federal law and regulations requiring Unique Device Identifiers (UDI) on devices and also requiring the submission of certain information about each device to FDA's Global Unique Device Identification Database (GUDID); and
- product import and export.

Before a new medical device, or a new use of, or claim for, an existing product can be marketed in the United States, it must first receive either premarket clearance under Section 510(k) of the U.S. Federal Food, Drug and Cosmetic Act, or FDCA, a de novo approval or a PMA, from the FDA, unless an exemption applies. In the 510(k) clearance process, the FDA must determine that the proposed device is "substantially equivalent" to a device legally on the market, known as a "predicate" device. To establish substantial equivalence which allows the device to be marketed, the applicant must demonstrate the device has the: (i) the same intended use; (ii) the same technological characteristics; and (iii) to the extent the technological characteristic are different, that they do not raise different questions of safety and effectiveness. Clinical data is sometimes required to support substantial equivalence, but FDA's expectations for data are often unclear and do change. Another procedure for obtaining marketing authorization for a medical device is the "de novo classification" procedure, pursuant to which FDA may authorize the marketing of a moderate to low risk device that has no predicate. These submissions typically require more information (i.e. non-clinical and/or clinical performance data) and take longer than a 510(k), but require less data and a shorter time period than a PMA approval. If the FDA grants the de novo request, the device is permitted to enter commercial distribution in the same manner as if 510(k) clearance had been granted, and the device becomes a 510(k) predicate for future devices seeking to call it a "predicate." The PMA pathway requires an applicant to demonstrate reasonable assurance of safety and effectiveness of the device for its intended use based, in part, on extensive data including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. Products that are approved through a PMA application generally need FDA approval before they can be modified. Similarly, some modifications made to products cleared through a

510(k) may require a new 510(k) or a PMA. The 510(k), de novo and PMA processes can be expensive, lengthy and sometimes unpredictable. The processes also entail significant user fees, unless exempt. The FDA's 510(k) clearance process usually takes from six to 18 months, but may take longer if more data are needed. The de novo process can take one to two years or longer if additional data are needed. The PMA pathway is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to five years, or even longer, from the time the application is filed with the FDA until an approval is obtained. The process of obtaining regulatory clearances or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances or approvals on a timely basis, if at all.

Most of our currently commercialized products have received premarket clearances under Section 510(k) of the FDCA. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our revenue to decline. In addition, the FDA may determine that future products will require the more costly, lengthy and uncertain de novo or PMA processes. Although we do not currently market any devices under PMA and have not gone through the de novo classification for marketing clearance, we cannot assure you that the FDA will not demand that we obtain a PMA prior to marketing or that we will be able to obtain 510(k) clearances with respect to future products.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- we may not be able to demonstrate to the FDA's satisfaction that our products meet the definition of "substantial equivalence" or meet the standard for the FDA to grant a petition for de novo classification;
- we may not be able to demonstrate to the FDA's satisfaction that our products are safe and effective for their intended uses;
- the data from our pre-clinical studies (bench and/or animal) and clinical trials may be insufficient to support clearance or approval, where required;
- the manufacturing process or facilities we use may not meet applicable requirements; and
- changes in FDA clearance or approval policies or the adoption of new regulations may require additional data.

Any delay in, or failure to receive or maintain, clearances or approvals for our products under development could prevent us from generating revenue from these products or achieving profitability. Additionally, the FDA and other governmental authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could lead governmental authorities or a court to take action against us, including but not limited to:

- issuing untitled (notice of violation) letters or public warning letters to us;
- imposing fines and penalties on us;
- obtaining an injunction or administrative detention preventing us from manufacturing or selling our products;
- seizing products to prevent sale or transport or export;
- bringing civil or criminal charges against us;
- recalling our products or engaging in a product correction;
- detaining our products at U.S. Customs;
- delaying the introduction of our products into the market;
- delaying pending requests for clearance or approval of new uses or modifications to our existing products; and/or
- withdrawing or denying approvals or clearances for our products.

If we fail to obtain and maintain regulatory clearances or approvals, our ability to sell our products and generate revenue will be materially harmed.

Outside of the United States, our medical devices must comply with the laws and regulations of the foreign countries in which they are marketed, and compliance may be costly and time-consuming. Failure to obtain and maintain regulatory approvals in jurisdictions outside the United States will prevent us from marketing our products in such jurisdictions.

We currently market, and intend to continue to market, our products outside the United States. To market and sell our product in countries outside the United States, we must seek and obtain regulatory approvals, certifications or registrations and comply with the laws and regulations of those countries. These laws and regulations, including the requirements for approvals, certifications or registrations and the time required for regulatory review, vary from country to country. Obtaining and maintaining foreign regulatory approvals, certifications or registrations are expensive, and we cannot be certain that we will receive regulatory approvals, certifications or registrations in any foreign country in which we plan to market our products. The regulatory approval process outside the United States may include all of the risks associated with obtaining FDA clearance or approval in addition to other risks.

In order to market our products in the Member States of the EEA, our devices are required to comply with the essential requirements of the EU Medical Devices Directives (Council Directive 93/42/EEC of 14 June 1993 concerning medical devices, as amended, and Council Directive 90/385/EEC of 20 June 2009 relating to active implantable medical devices, as amended). Compliance with these requirements entitles us to affix the CE conformity mark to our medical devices, without which they cannot be commercialized in the EEA. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directives, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization accredited by a Member State of the EEA to conduct conformity assessments. The Notified Body would typically audit and examine the quality system for the manufacture, design and final inspection of our devices before issuing a certification demonstrating compliance with the essential requirements. Based on this certification we can draw up an EC Declaration of Conformity, which allows us to affix the CE mark to our products.

We may not obtain regulatory approvals or certifications outside the United States on a timely basis, if at all. Clearance or approval by the FDA does not ensure approval or certification by regulatory authorities or Notified Bodies in other countries, and approval or certification by one foreign regulatory authority or Notified Body does not ensure approval by regulatory authorities in other countries or by the FDA. We may be required to perform additional pre-clinical or clinical studies even if FDA clearance or approval, or the right to bear the CE mark, has been obtained. If we fail to obtain or maintain regulatory approvals, certifications or registrations in any foreign country in which we plan to market our products, our business, financial condition and operating results could be adversely affected.

Modifications to our marketed products may require new 510(k) clearances or PMAs, or may require us to cease marketing or recall the modified products until clearances are obtained.

Any modification to a 510(k)-cleared device that could significantly affect its safety or efficacy, or that would constitute a major change in its intended use, technology, materials, packaging and certain manufacturing processes, may require a new 510(k) clearance or, possibly, a PMA. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) clearance or PMA in the first instance, but the FDA may (and often does) review the manufacturer's decision. The FDA may not agree with a manufacturer's decision regarding whether a new clearance or approval is necessary for a modification, and may retroactively require the manufacturer to submit a premarket notification requesting 510(k) clearance or an application for PMA. We have made modifications to our products in the past and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. No assurance can be given that the FDA would agree with any of our decisions not to seek 510(k) clearance or PMA. The issue of whether a product modification is significant enough to require a 510(k), as opposed to a simple "letter-to-file" documenting the change, is in a state of flux. In 1997, FDA issued a guidance to address this issue and it is a guidance with which FDA and industry is very familiar. In 2011, FDA proposed a new modifications guidance that was very controversial with industry because industry interpreted the guidance to reflect FDA's view that it would require more 510(k)s than under the 1997

modifications guidance. On July 9, 2012, the Food and Drug Administration Safety and Innovation Act, FDASIA, was signed into law. Among other things, FDASIA requires the FDA to withdraw this proposed new modifications guidance and does not allow the FDA to use this draft guidance as part of, or for the basis of, any premarket review or any compliance or enforcement decisions or actions. FDASIA also obligates the FDA to prepare a report for Congress on the FDA's approach for determining when a new 510(k) will be required for modifications or changes to a previously cleared device. After submitting this report, the FDA is expected to issue revised guidance to assist device manufacturers in making this determination. Until then, manufacturers may continue to adhere to the FDA's 1997 guidance on this topic when making a determination as to whether or not a new 510(k) is required for a change or modification to a device, but the practical impact of the FDA's continuing scrutiny of these issues remains unclear.

In addition, the FDA has recently proposed new draft guidance on reporting "enhancements" to medical devices under Part 806 Reports of Corrections and Removals, the practical effect of which may be to alert the FDA to product modifications on an ongoing basis for which the FDA may require a new 510(k). This guidance has not yet been finalized, but may be soon.

If the FDA requires us to cease marketing and recall a modified device until we obtain a new 510(k) clearance or PMA, our business, financial condition, operating results and future growth prospects could be materially adversely affected. Further, our products could be subject to recall if the FDA determines, for any reason, that our products are not safe or effective. Any recall or FDA requirement that we seek additional approvals or clearances could result in significant delays, fines, increased costs associated with modification of a product, loss of revenue and potential operating restrictions imposed by the FDA.

Healthcare policy changes, including legislation to reform the U.S. healthcare system, may have a material adverse effect on our business and operating results.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, collectively, the PPACA, substantially changes the way health care is financed by both governmental and private insurers, encourages improvements in the quality of healthcare items and services, and significantly impacts the medical device industry. The PPACA includes, among other things, the following measures:

- an excise tax on any entity that manufactures or imports medical devices offered for sale in the United States;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research;
- new reporting and disclosure requirements on device manufacturers for any "transfer of value" made or distributed to prescribers and other healthcare providers (referred to as the Physician Payments Sunshine Act), which reporting requirements will be difficult to define, track and report, and which reports are due to CMS by March 31, 2014 and by the 90th day of each calendar year thereafter;
- payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models, beginning on or before January 1, 2013;
- an independent payment advisory board that will submit recommendations to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate; and
- a new licensure framework for follow-on biologic products.

We cannot predict what healthcare programs and regulations will be ultimately implemented at the federal or state level, or the effect of any future legislation or regulation. However, these provisions as adopted could meaningfully change the way healthcare is delivered and financed, and may materially impact numerous aspects of our business. In particular, any changes that lower reimbursements for our products or reduce medical procedure volumes could adversely affect our business and operating results.

In addition, in the future there may continue to be additional proposals relating to the reform of the U.S. healthcare system. Certain of these proposals could limit the prices we are able to charge for our products, or the

amounts of reimbursement available for our products, and could limit the acceptance and availability of our products. The adoption of some or all of these proposals could have a material adverse effect on our financial position and operating results.

Furthermore, initiatives sponsored by government agencies, legislative bodies and the private sector to limit the growth of healthcare costs, including price regulation and competitive pricing, are ongoing in markets where we do business. We could experience a negative impact on our operating results due to increased pricing pressure in the United States and certain other markets. Governments, hospitals and other third-party payors could reduce the amount of approved reimbursements for our products. Reductions in reimbursement levels or coverage or other cost-containment measures could unfavorably affect our future operating results.

Our financial performance may continue to be adversely affected by medical device tax provisions in the health care reform laws.

The PPACA imposes a deductible excise tax equal to 2.3% of the price of a medical device on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions. Under these provisions, the total cost to the medical device industry was estimated to be approximately $20 billion over 10 years. These taxes resulted in a significant increase in the tax burden on our industry and on us, which negatively impacted our operating results and our cash flows during 2014. Should this tax continue to exist or change, our operating results could continue to be negatively impacted.

The use, misuse or off-label use of our products may harm our image in the marketplace or result in injuries that lead to product liability suits, which could be costly to our business or result in FDA sanctions if we are deemed to have engaged in improper promotion of our products.

Our products currently marketed in the United States have been cleared by the FDA's 510(k) clearance process for use under specific circumstances. Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition on the promotion of a medical device for a use that has not been cleared or approved by the FDA. Use of a device outside of its cleared or approved indication is known as "off-label" use. We cannot prevent a surgeon from using our products or procedure for off-label use, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our promotional materials, reimbursement advice or training of sales representatives or physicians constitute promotion of an off-label use, the FDA could request that we modify our training or promotional or reimbursement materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, disgorgement of profits, a civil fine and criminal penalties. Other federal, state or foreign governmental authorities also might take action if they consider our promotion or training materials to constitute promotion of an uncleared or unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. For example, the government may take the position that off-label promotion resulted in inappropriate reimbursement for an off-label use in violation of the False Claims Act for which it might impose a civil fine and even pursue criminal action. In those possible events, our reputation could be damaged and adoption of the products would be impaired. Although we train our sales force not to promote our products for off-label uses, and our instructions for use in all markets specify that our products are not intended for use outside of those indications cleared for use, the FDA or another regulatory agency could conclude that we have engaged in off-label promotion.

Further, the advertising and promotion of our products is subject to EEA Member States laws implementing Directive 93/42/EEC concerning Medical Devices, or the EU Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising, and Directive 2005/29/EC on unfair commercial practices, as well as other EEA Member State legislation governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals. Our failure to comply with all these laws and requirements may harm our business and operating results.

In addition, there may be increased risk of injury if surgeons attempt to use our products off-label. Furthermore, the use of our products for indications other than those indications for which our products have been cleared by the FDA may not effectively treat such conditions, which could harm our reputation in the marketplace

among surgeons and patients. Surgeons also may misuse our products or use improper techniques if they are not adequately trained, potentially leading to injury and an increased risk of product liability. Product liability claims are expensive to defend and could divert our management's attention and result in substantial damage awards against us. Any of these events could harm our business and operating results.

If our marketed medical devices are defective or otherwise pose safety risks, the FDA and similar foreign governmental authorities could require their recall, or we may initiate a recall of our products voluntarily.

The FDA and similar foreign governmental authorities may require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers, on their own initiative, may recall a product if any material deficiency in a device is found. In the past we have initiated voluntary product recalls. For example, in August 2013, we initiated a voluntary Class II recall for instrumentation contained within the Aequalis Reversed II and the Aequalis Reversed Fracture instrument sets. We notified our distributors, sales representatives and all direct consignees and directed them to return the affected instrumentation to us in exchange for redesigned instruments.

A government-mandated or voluntary recall by us or one of our sales agencies could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our financial condition and operating results. Any recall could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We also may be required to bear other costs or take other actions that may have a negative impact on our future revenue and our ability to generate profits. We may initiate voluntary actions to withdraw or remove or repair our products in the future that we determine do not require notification of the FDA as a recall. If the FDA disagrees with our determinations, they could require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our revenue. In addition, the FDA could take enforcement action for failing to report the recalls when they were conducted.

In the EEA we must comply with the EU Medical Device Vigilance System, the purpose of which is to improve the protection of health and safety of patients, users and others by reducing the likelihood of reoccurrence of incidents related to the use of a medical device. Under this system, incidents must be reported to the competent authorities of the Member States of the EEA. An incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labeling or the instructions for use which, directly or indirectly, might lead to or might have led to the death of a patient or user or of other persons or to a serious deterioration in their state of health. Incidents are evaluated by the EEA competent authorities to whom they have been reported, and where appropriate, information is disseminated between them in the form of National Competent Authority Reports, or NCARs. The Medical Device Vigilance System is further intended to facilitate a direct, early and harmonized implementation of Field Safety Corrective Actions, or FSCAs across the Member States of the EEA where the device is in use. An FSCA is an action taken by a manufacturer to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. An FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices.

If our products cause or contribute to a death or a serious injury, or malfunction in certain ways, we will be subject to medical device reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.

Under the FDA medical device reporting regulations, or MDR, we are required to report to the FDA any incident in which our product has or may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. If we fail to report these events to the FDA within the required timeframes, or at all, the FDA could take enforcement action against us. Any adverse event involving our products could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a

lawsuit, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

Our manufacturing operations require us to comply with the FDA's and other governmental authorities' laws and regulations regarding the manufacture and production of medical devices, which is costly and could subject us to enforcement action.

We and certain of our third-party manufacturers are required to comply with the FDA's current Good Manufacturing Program (cGMP) and Quality System Regulations, or QSR, which cover the methods of documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products. We and certain of our suppliers also are subject to the regulations of foreign jurisdictions regarding the manufacturing process for our products marketed outside of the United States. The FDA enforces the QSR through periodic announced (routine) and unannounced (for cause or directed) inspections of manufacturing facilities. In January 2013, our OrthoHelix facility located in Medina, Ohio was subject to a routine FDA inspection. The inspection resulted in the issuance of a Form FDA-483 listing four inspectional observations. The FDA's observations related to our documentation of corrective and preventative actions, procedures for receiving, reviewing and evaluating complaints, procedures to control product that does not conform to specified requirements and procedures to ensure that all purchased or otherwise received product and services conform to specified requirements. Although we believe we have corrected all four of these observations, the FDA could disagree with our conclusion and take corrective and remedial measures. In April 2013, our manufacturing facility located in Montbonnot, France was subject to a routine FDA inspection. The inspection resulted in the issuance of a Form FDA-483 listing one inspectional observation. The FDA's observation related to our establishment of records of acceptable suppliers, contractors and consultants. Although we believe we have corrected the observation, the FDA could disagree with our conclusion and corrective and remedial measures.

The failure by us or one of our suppliers to comply with applicable statutes and regulations administered by the FDA and other regulatory bodies, or the failure to timely and adequately respond to any adverse inspectional observations or product safety issues, could result in, among other things, any of the following enforcement actions:

- untitled letters, warning letters, fines, injunctions, consent decrees, disgorgement of profits, criminal and civil penalties;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying our requests for 510(k) clearance or PMA approval of new products or modified products;
- withdrawing 510(k) clearances or PMAs that have already been granted;
- refusal to grant export approval for our products; or
- criminal prosecution.

Any of these actions could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We also may be required to bear other costs or take other actions that may have a negative impact on our future revenue and our ability to generate profits. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in our failure to produce our products on a timely basis and in the required quantities, if at all.

We are subject to substantial post-market government regulation that could have a material adverse effect on our business.

Many states such as Massachusetts, Connecticut, Nevada and Vermont require different types of compliance such as having a code of conduct, as well as reporting remuneration paid to health care professionals or entities in a position to influence prescribing behavior. Many of these industry standards inevitably influence company standards of conduct. Other laws tie into these standards as well, such as compliance with the advertising and promotion regulations under the U.S. federal Food, Drug and Cosmetic Act, the Anti-Kickback Statute, the False Claims Act, the Physician Payments Sunshine Act and other laws. We use many distributors and independent

sales representatives in certain territories and thus rely upon their compliance with applicable laws and regulations, such as with the advertising and promotion regulations under the U.S. federal Food, Drug and Cosmetic Act, the Anti-kickback Statute, the False Claims Act, the Physician Payments Sunshine Act, similar laws under countries located outside the United States and other applicable federal, state or international laws. The failure by us or one of our distributors, representatives or suppliers to comply with applicable legal and regulatory requirements could result in, among other things, the FDA or other governmental authorities:

- imposing fines and penalties on us;
- preventing us from manufacturing or selling our products;
- delaying the introduction of our new products into the market;
- recalling, seizing, detaining or enjoining the sale of our products;
- withdrawing, delaying or denying approvals or clearances for our products;
- issuing warning letters or untitled letters;
- imposing operating restrictions;
- imposing injunctions; and
- commencing criminal prosecutions.

Failure to comply with applicable regulatory requirements also could result in civil actions against us and other unanticipated expenditures. If any of these actions were to occur it would harm our reputation and cause our product revenue to suffer and may prevent us from generating revenue.

The results of our clinical trials may not support our product claims or may result in the discovery of adverse side effects.

Our ongoing research and development, pre-clinical testing and clinical trial activities are subject to extensive regulation and review by numerous governmental authorities both in the United States and abroad. We are currently conducting post-market clinical studies of some or our products to gather additional information about these products' safety, efficacy or optimal use. We are also conducting a clinical trial of our Simpliciti product in the United States. In the future we may conduct additional clinical trials to support approval of new products. Clinical studies must be conducted in compliance with FDA regulations or the FDA may take enforcement action. The data collected from these clinical trials may ultimately be used to support market clearance for these products. Even if our clinical trials are completed as planned, we cannot be certain that their results will support our product claims or that the FDA or foreign authorities will agree with our conclusions regarding them. Success in pre-clinical testing and early clinical trials does not always ensure that later clinical trials will be successful, and we cannot be sure that the later trials will replicate the results of prior trials and studies. The clinical trial process may fail to demonstrate that our products are safe and effective for the proposed indicated uses, which could cause us to abandon a product and may delay development of others. Any delay or termination of our clinical trials will delay the filing of our product submissions and, ultimately, our ability to commercialize our products and generate revenue. It is also possible that patients enrolled in clinical trials will experience adverse side effects that are not currently part of the product's profile.

If the third parties on which we rely to conduct our clinical trials and to assist us with pre-clinical development do not perform as contractually required or expected, we may not be able to obtain regulatory clearance or approval for or commercialize our products.

We often must rely on third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if these third parties need to be replaced, or if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our pre-clinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for, or successfully commercialize, our products on a timely basis, if at all, and our business, operating results and prospects may be adversely affected. Furthermore, our third-party clinical trial investigators may be delayed in conducting our clinical trials for reasons outside of their control.

Future regulatory actions may adversely affect our ability to sell our products profitably.

From time to time, legislation is drafted and introduced that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of a medical device. In addition, FDA and other regulations and guidance are often revised or reinterpreted in ways that may significantly affect our business and our products. It is impossible to predict whether legislative changes will be enacted or regulations, guidance or interpretations changed, and what the impact of such changes, if any, may be.

We may be subject to or otherwise affected by federal, state, and international healthcare laws, including fraud and abuse, false claims and health information privacy and security laws, and could face substantial penalties if we are unable to fully comply with such laws.

Although we do not provide healthcare services, submit claims for third-party reimbursement, or receive payments directly from Medicare, Medicaid or other third-party payors for our products or the procedures in which our products are used, healthcare regulation by federal, state and foreign governments could significantly impact our business. Healthcare fraud and abuse and health information privacy and security laws potentially applicable to our operations include:

- the federal Anti-Kickback Law, which constrains our marketing practices and those of our independent sales agencies, educational programs, pricing, bundling and rebate policies, grants for physician-initiated trials and continuing medical education, and other remunerative relationships with healthcare providers, by prohibiting, among other things, soliciting, receiving, offering or providing remuneration, intended to induce the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare or Medicaid programs;
- federal false claims laws (such as the federal False Claims Act) which prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, which impacts and regulates the reimbursement advice we give to our customers as it cannot be inaccurate and must relate to on-label uses of our products;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and its implementing regulations, which created federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters and which also imposes certain regulatory and contractual requirements regarding the privacy, security and transmission of individually identifiable health information;
- state laws analogous to each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state laws governing the privacy and security of certain health information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- federal, state and international laws that impose reporting and disclosure requirements on device and drug manufacturers for any "transfer of value" made or distributed to prescribers and other healthcare providers.

If our past or present operations, or those of our independent sales agencies, are found to be in violation of any of such laws or any other governmental regulations that may apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from federal healthcare programs and the curtailment or restructuring of our operations. Similarly, if the healthcare providers or entities with whom we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on us. Any penalties, damages, fines, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our company being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Further, the PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a

violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Any action against us for violation of these laws, even if we successfully defend against them, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

The PPACA also includes a number of provisions that impact medical device manufacturers, including the Physician Payments Sunshine Act. Failure to submit required information under the Physician Payments Sunshine Act may result in civil monetary penalties of up to an aggregate of $150,000 per year (and up to an aggregate of $1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests not reported in an annual submission.

In addition, there has been a recent trend of increased state and international regulation of payments made to physicians for marketing. Some states, such as Massachusetts and Vermont, mandate implementation of compliance programs, along with the tracking and reporting of gifts, compensation, and other remuneration to physicians. Several countries, such as France, also regulate payments made to physicians. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements. Our efforts to comply with these regulations have resulted in, and are likely to continue to result in, significant general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Our failure to comply with all these laws and requirements may harm our business and operating results.

Governments and regulatory authorities vigorously enforce healthcare fraud and abuse laws, especially against companies in our industry. While we have not been the target of any investigations, we cannot guarantee that we will not be investigated in the future. If investigated we cannot assure that the costs of defending or resolving those investigations or proceedings would not have a material adverse effect on our financial condition, operating results and cash flows.

Our existing xenograft-based biologics business is and any future biologics products we pursue would be subject to emerging governmental regulations that could materially affect our business.

Some of our products are xenograft, or animal-based, tissue products. Our principal xenograft-based biologics offering is Conexa reconstructive tissue matrix. All of our current xenograft tissue-based products are regulated as medical devices and are subject to the FDA's medical device regulations.

We currently are planning to offer products based on human tissue. The FDA has statutory authority to regulate human cells, tissues and cellular and tissue-based products, or HCT/Ps. An HCT/P is a product containing or consisting of human cells or tissue intended for transplantation into a human patient, including allograft-based products. The FDA, EU and Health Canada have been working to establish more comprehensive regulatory frameworks for allograft-based, tissue-containing products, which are principally derived from cadaveric tissue.

Section 361 of the Public Health Service Act, or PHSA, authorizes the FDA to issue regulations to prevent the introduction, transmission or spread of communicable disease. HCT/Ps regulated as 361 HCT/Ps are subject to requirements relating to: registering facilities and listing products with the FDA; screening and testing for tissue donor eligibility; Good Tissue Practice, or GTP, when processing, storing, labeling and distributing HCT/Ps, including required labeling information; stringent recordkeeping; and adverse event reporting. The FDA has also proposed extensive additional requirements that address sub-contracted tissue services, tracking to the recipient/patient, and donor records review. If a tissue-based product is considered human tissue, the FDA requirements focus on preventing the introduction, transmission and spread of communicable diseases to recipients. A product regulated solely as a 361 HCT/P is not required to undergo premarket clearance (510(k)) or approval (de novo or PMA).

The FDA may inspect facilities engaged in manufacturing 361 HCT/Ps and may issue untitled letters, warning letters, or otherwise authorize orders of retention, recall, destruction and cessation of manufacturing if the FDA has reasonable grounds to believe that an HCT/P or the facilities where it is manufactured are in violation of applicable regulations. There also are requirements relating to the import of HCT/Ps that allow the FDA to make a decision as to the HCT/Ps' admissibility into the United States.

An HCT/P is eligible for regulation solely as a 361 HCT/P if it is: (i) minimally manipulated; (ii) intended for homologous use as determined by labeling, advertising or other indications of the manufacturer's objective intent for a homologous use; (iii) the manufacture does not involve combination with another article, except for water, crystalloids or a sterilizing, preserving, or storage agent (not raising new clinical safety concerns for the HCT/P); and (iv) it does not have a systemic effect and is not dependent upon the metabolic activity of living cells for its primary function or, if it has such an effect, it is intended for autologous use or allogenetic use in close relatives or for reproductive use. If any of these requirements are not met, then the HCT/P is also subject to applicable biologic, device, or drug regulation under the FDCA or the PHSA. These biologic, device or drug HCT/Ps must comply both with the requirements exclusively applicable to 361 HCT/Ps and, in addition, with requirements applicable to biologics under the PHSA, or devices or drugs under the FDCA, including premarket licensure, clearance or approval.

Title VII of the PPACA, the Biologics Price Competition and Innovation Act of 2009, or BPCIA, creates a new licensure framework for follow-on biologic products, which could ultimately subject our biologics business to competition to so-called "biosimilars." Under the BPCIA, a manufacturer may submit an application for licensure of a biologic product that is "biosimilar to" or "interchangeable with" a referenced, branded biologic product. Previously, there had been no licensure pathway for such a follow-on product. While we do not anticipate that the FDA will license a follow-on biologic for several years, given the need to generate data sufficient to demonstrate "biosimilarity" to or "interchangeability" with the branded biologic according to criteria set forth in the BPCIA, as well as the need for the FDA to implement the BPCIA's provisions with respect to particular classes of biologic products, we cannot guarantee that our biologics will not eventually become subject to direct competition by a licensed "biosimilar."

Procurement of certain human organs and tissue for transplantation, including allograft tissue we may use in future products, is subject to federal regulation under the National Organ Transplant Act, or NOTA. NOTA prohibits the acquisition, receipt, or other transfer of certain human organs, including bone and other human tissue, for valuable consideration within the meaning of NOTA. NOTA permits the payment of reasonable expenses associated with the removal, transportation, implantation, processing, preservation, quality control and storage of human organs. For any future products implicating NOTA's requirements, we would reimburse tissue banks for their expenses associated with the recovery, storage and transportation of donated human tissue that they would provide to us. NOTA payment allowances may be interpreted to limit the amount of costs and expenses that we may recover in our pricing for our services, thereby negatively impacting our future revenue and profitability. If we were to be found to have violated NOTA's prohibition on the sale or transfer of human tissue for valuable consideration, we would potentially be subject to criminal enforcement sanctions, which could materially and adversely affect our operating results. Further, in the future, if NOTA is amended or reinterpreted, we may not be able to pass these expenses on to our customers and, as a result, our business could be adversely affected.

Our operations involve the use of hazardous materials, and we must comply with environmental health and safety laws and regulations, which can be expensive and may affect our business and operating results.

We are subject to a variety of laws and regulations of the countries in which we operate and distribute products, such as the United States, France, Ireland, other EU nations and other countries, relating to the use, registration, handling, storage, disposal, recycling and human exposure to hazardous materials. Liability under environmental laws can be joint and several and without regard to comparative fault, and environmental, health and safety laws could become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violations, which could harm our business. In the EU, where our manufacturing facilities are located, we and our suppliers are subject to EU environmental requirements such as the Registration, Evaluation, Authorization and Restriction of Chemicals, or REACH, regulation. In addition, we are subject to the environmental, health and safety requirements of individual European countries in which we operate such as France and Ireland. For example, in France, requirements known as the Installations Classées pour la Protection de l'Environnement regime provide for specific environmental standards related to industrial operations such as noise, water treatment, air quality and energy consumption. In Ireland, our manufacturing facilities are likewise subject to local environmental regulations, such as related to water pollution and water quality, which are administered by the Environmental Protection Agency. We believe that we are in material compliance with all applicable environmental, health and safety requirements in the countries in which we operate and do not have reason to believe that we are responsible for any cleanup liabilities. In addition, certain hazardous materials are present at

some of our facilities, such as asbestos, that we believe are managed in compliance with all applicable laws. We also are subject to greenhouse gas regulations in the EU and elsewhere and we believe that we are in compliance based on present emissions levels at our facilities. Although we believe that our activities conform in all material respects with applicable environmental, health and safety laws, we cannot assure you that violations of such laws will not arise as a result of human error, accident, equipment failure, presently unknown conditions or other causes. The failure to comply with past, present or future laws, including potential laws relating to climate control initiatives, could result in the imposition of fines, third-party property damage and personal injury claims, investigation and remediation costs, the suspension of production or a cessation of operations. We also expect that our operations will be affected by other new environmental and health and safety laws, including laws relating to climate control initiatives, on an ongoing basis. Although we cannot predict the ultimate impact of any such new laws, they could result in additional costs and may require us to change how we design, manufacture or distribute our products, which could have a material adverse effect on our business.

Our business is subject to evolving corporate governance and public disclosure regulations that result in significant compliance costs. Our noncompliance with these regulations could have an adverse effect on our stock price.

We are subject to changing rules and regulations promulgated by a number of U.S. and Dutch governmental and self-regulated organizations, including the SEC, the NASDAQ Stock Market, the Dutch Authority for the Financial Markets and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created, making compliance more difficult and uncertain. Our efforts to comply with these regulations have resulted in, and are likely to continue to result in, significant general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Risks Related to Our Intellectual Property

If our patents and other intellectual property rights do not adequately protect our products, we may lose market share to our competitors and may be unable to prevent competitors from competing against us.

We rely on patents, trade secrets, copyrights, know-how, trademarks, license agreements and contractual provisions to establish our intellectual property rights and protect our products. These legal means, however, afford only limited protection and may not adequately protect our rights. The patents we own may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage, and competitors may be able to design around our patents or develop products that duplicate our own products or provide outcomes that are similar to ours.

U.S. patents and patent applications may be subject to interference proceedings, and U.S. patents may be subject to reexamination, inter partes review, post-grant review, derivation proceedings or other proceedings in the U.S. Patent and Trademark Office (USPTO). Foreign patents may be subject to opposition, nullity actions, or comparable proceedings in the corresponding foreign patent offices. Any of these proceedings could result in loss of the patent or denial of the patent application, or loss or reduction in the scope of one or more of the claims of the patent or patent application. Changes in either patent laws or in interpretations of patent laws may also diminish the value of our intellectual property or narrow the scope of our protection. Interference, reexamination, opposition proceedings, and invalidation actions such as nullity proceedings may be costly and time-consuming, and we, or the other parties from whom we might potentially license intellectual property, may be unsuccessful in defending against such proceedings. Thus, any patents that we own or might license may provide limited or no protection against competitors.

We cannot be certain that any of our pending patent applications will be issued. The USPTO or foreign patent offices may reject or require a significant narrowing of the claims in our pending patent applications and those we may file in the future affecting the patents issuing from such applications. We could incur substantial costs in proceedings before the USPTO and the proceedings may be time-consuming, which may cause significant diversion of effort by our technical and management personnel. These proceedings could result in adverse decisions as to the patentability or validity of claims directed to our inventions and may result in the narrowing or cancellation of claims in issued patents. Even if any of our pending or future applications are issued, they may not provide us with significant commercial protection or any competitive advantages. Our patents and patent applications cover

particular aspects of our products. Other parties may develop and obtain patent protection for more effective technologies, designs or methods. If these developments were to occur, they would likely have an adverse effect on our sales. There may be prior public disclosures that could invalidate our inventions or parts of our inventions of which we are not aware. Our ability to develop additional patentable technology is also uncertain. In addition, the laws of some of the countries in which our products are or may be sold may not protect our intellectual property to the same extent as U.S. laws or at all, particularly in the field of medical products and procedures. We also may be unable to protect our rights in trade secrets and unpatented proprietary technology in these countries.

Non-payment or delay in payment of patent fees or annuities, whether intentional or unintentional, may also result in the loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to other parties. In addition, many countries limit the enforceability of patents against other parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent.

In the event a competitor infringes our patent or other intellectual property rights, enforcing those rights may be costly, difficult and time-consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time-consuming and could divert our management's attention. An adverse decision in any legal action could limit our ability to assert our intellectual property rights, limit the value of our technology or otherwise negatively impact our business, financial condition and results of operations.

Monitoring unauthorized use of our intellectual property is difficult and costly. Unauthorized use of our intellectual property may have occurred or may occur in the future. Although we have taken steps to reduce the risk of this occurring, any such failure to identify unauthorized use and otherwise adequately protect our intellectual property would adversely affect our business. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents or other intellectual property rights against a challenge. If we are unsuccessful in enforcing and protecting our intellectual property rights and protecting our products, it could harm our business and operating results.

Patent law can be highly uncertain and involve complex legal and factual questions for which important principles remain unresolved. In the United States and in many foreign jurisdictions, policy regarding the breadth of claims allowed in patents can be inconsistent. The U.S. Supreme Court and the Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. Patent law has recently been modified by the U.S. Congress, and future potential legislation could further change provisions of patent law. We cannot predict future changes in the interpretation of patent laws or changes to patent laws. Those changes may materially affect our patents, our ability to obtain patents or the patents and applications of our licensors. Future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage, which could adversely affect our financial condition and results of operations.

In particular, there are numerous recent changes to the U.S. patent laws and proposed changes to the rules of the USPTO that may have a significant impact on our ability to obtain and enforce intellectual property rights. For example, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was adopted in September 2011. The Leahy-Smith Act includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. Under the Leahy-Smith Act, the United States transitioned from a "first-to-invent" system to a "first-inventor-to-file" system for patent applications filed on or after March 16, 2013. With respect to patent applications filed on or after March 16, 2013, if we are the first to invent but not the first to file a patent application, we may not be able to fully protect our intellectual property rights and may be found to have violated the intellectual property rights of others if we continue to operate in the absence of a patent issued to us. Many of the substantive changes to patent law associated with the Leahy-Smith Act have recently become effective. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

We rely on our trademarks, trade names and brand names to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. However, our trademark applications may not be approved. Third parties may also oppose our trademark applications or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing these new brands. Further, our competitors may infringe our trademarks, or we may not have adequate resources to enforce our trademarks.

In addition, we hold licenses from third parties that relate to the design and manufacture of some of our products. The loss of such licenses could prevent us from manufacturing, marketing and selling these products, which could harm our business. If we, or the other parties from whom we would license intellectual property, fail to obtain and maintain adequate patent or other intellectual property protection for intellectual property used in our products, or if any protection is reduced or eliminated, others could use the intellectual property used in our products, resulting in harm to our competitive business position.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

In addition to patents, we seek to protect our trade secrets, know-how and other unpatented technology, in part, with confidentiality agreements with our vendors, employees, consultants and others who may have access to proprietary information. We cannot be certain, however, that these agreements will not be breached, adequate remedies for any breach would be available or our trade secrets, know-how and other unpatented proprietary technology will not otherwise become known to or be independently developed by our competitors. We also have taken precautions to initiate safeguards to protect our information technology systems. However, these measures may not be adequate to safeguard our proprietary intellectual property and conflicts may, nonetheless, arise regarding ownership of inventions. Such conflicts may lead to the loss or impairment of our intellectual property or to expensive litigation to defend our rights against competitors who may be better funded and have superior resources. Our employees, consultants, contractors, outside clinical collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors. In addition, confidentiality agreements may not be enforced or may not provide an adequate remedy in the event of unauthorized disclosure. Enforcing a claim that a third party illegally obtained and is using our trade secrets is expensive and time-consuming, and the outcome is unpredictable. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Unauthorized parties also may attempt to copy or reverse engineer certain aspects of our products that we consider proprietary, and in such cases we could not assert any trade secret rights against such party. As a result, other parties may be able to use our proprietary technology or information, and our ability to compete in the marketplace would be harmed.

Some of our employees were previously employed at other medical device companies focused on the development of orthopaedic devices. We may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in defending against these claims, litigation could result in substantial costs, damage to our reputation and be a distraction to management.

Our commercial technology and any future products and services that we develop could be alleged to infringe patent rights of third parties, which may require costly litigation and, if we are not successful, could cause us to pay significant damages or limit our ability to commercialize our products.

The orthopaedic medical device industry is litigious with respect to patents and other intellectual property rights. Companies in the orthopaedic medical device industry have used intellectual property litigation to gain a competitive advantage. Non-practicing entities also have used intellectual property litigation to seek revenue from orthopaedic companies. We cannot provide assurance that our products or methods do not infringe the patents or other intellectual property rights of third parties, and as our business grows, the possibility may increase that others will assert infringement claims against us. Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of a patent litigation action is often uncertain. No assurance can be given that patents containing claims covering our products, parts of our products, technology or methods do not exist, have not

been filed or could not be filed or issued. Because of the number of patents issued and patent applications filed in our technical areas, our competitors or other parties may assert that our products and the methods we employ in the use of our products are covered by U.S. or foreign patents held by them. In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending of which we are unaware and which may result in issued patents that our current or future products infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue as patents with claims that we infringe. There could also be existing patents that one or more of our products or parts may infringe and of which we are unaware. In certain situations, we may determine that it is in our best interests to voluntarily challenge a party's products or patents in litigation or other proceedings, including patent interferences or reexaminations.

Any legal proceeding involving patents or other intellectual property, regardless of outcome, could drain our financial resources and divert the time and effort of our management. A patent infringement suit or other infringement or misappropriation claim brought against us or any of our licensees may force us or any of our licensees to stop or delay developing, manufacturing or selling potential products that are claimed to infringe a third party's intellectual property, unless that party grants us or any of our licensees rights to use its intellectual property. In such cases, we may be required to obtain licenses to patents or proprietary rights of others in order to continue to commercialize our products. However, we may not be able to obtain any licenses required under any patents or proprietary rights of third parties on acceptable terms, or at all. Even if we or our licensees were able to obtain rights to the third party's intellectual property, these rights may be nonexclusive, thereby giving our competitors access to the same intellectual property. Ultimately, we may be unable to commercialize some of our potential products or may have to cease some of our business operations as a result of patent infringement claims, which could severely harm our business.

In any infringement lawsuit, a third party could seek to enjoin, or prevent, us from commercializing our existing or future products, or may seek damages from us, and any such lawsuit would likely be expensive for us to defend against. If we lose one of these proceedings, a court or a similar foreign governing body could require us to pay significant damages to third parties, seek licenses from third parties, pay ongoing royalties, redesign or rename, in the case of trademark claims, our products so that they do not infringe or prevent us from manufacturing, using or selling our products. In addition to being costly, protracted litigation to defend or prosecute our intellectual property rights could result in our customers or potential customers deferring or limiting their purchase or use of the affected products until resolution of the litigation.

From time to time, in the ordinary course of business, we receive notices from third parties alleging infringement or misappropriation of the patent, trademark or other intellectual property rights of third parties by us or our customers in connection with the use of our products. We also may otherwise become aware of possible infringement claims against us. We routinely analyze such claims and determine how best to respond in light of the circumstances existing at the time, including the importance of the intellectual property right to us and the third party, the relative strength of our position of non-infringement or non-misappropriation and the product or products incorporating the intellectual property right at issue.

If we choose to acquire new businesses, products or technologies, we may experience difficulty in the identification or integration of any such acquisition, and our business may suffer.

Our success depends on our ability to continually enhance and broaden our product and service offerings in response to changing customer demands, competitive pressures and technologies. Accordingly, we may pursue the acquisition of complementary businesses, products or technologies instead of developing them ourselves. We do not know if we will be able to identify or complete any acquisitions, or whether we will be able to successfully integrate any acquired business, product or technology or retain key employees. Integrating any business, product or technology we acquire could be expensive and time consuming, and could disrupt our ongoing business and distract our management. If we are unable to integrate any acquired businesses, products or technologies effectively, our business will suffer. In addition, any amortization or charges resulting from acquisitions could negatively impact our operating results.

Risks Relating to Our Ordinary Shares

The trading volume and prices of our ordinary shares have been and may continue to be volatile, which could result in substantial losses to our shareholders.

The trading volume and prices of our ordinary shares have been and may continue to be volatile and could fluctuate widely due to factors beyond our control. During 2014, the sale price of our ordinary shares ranged from $16.97 per share to $28.06 per share, as reported by the NASDAQ Global Select Market. Such volatility may be the result of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in Europe that have listed their securities in the United States, or our proposed merger with Wright. In addition to market and industry factors, the price and trading volume for our ordinary shares may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenue, earnings and cash flow, and in particular variations that deviate from our projected financial information;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures;
- announcements of new products by us or our competitors;
- announcements of divestitures or discontinuance of products or assets;
- changes in financial estimates by securities analysts;
- additions or departures of key personnel;
- sales of our equity securities by our significant shareholders or management or sales of additional equity securities by our company;
- potential litigation or regulatory investigations; and
- fluctuations in market prices for our products.

Any of these factors may result in large and sudden changes in the volume and price at which our ordinary shares trade. In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our operating results and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and operating results.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ordinary shares, the market price for our ordinary shares and trading volume could decline.

The trading market for our ordinary shares is influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our ordinary shares, the market price for our ordinary shares likely would decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ordinary shares to decline.

The sale or availability for sale of substantial amounts of our ordinary shares could adversely affect their market price.

Sales of substantial amounts of our ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the market price of our ordinary shares and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ordinary shares.

We are party to a registration rights agreement with certain of our shareholders and entities affiliated with our directors, including TMG Holdings Coöperatief U.A., or TMG, and KCH Oslo AS, which requires us to register ordinary shares held by these persons under the Securities Act, subject to certain limitations, restrictions and conditions. The market price of our ordinary shares could decline as a result of the registration and sale of or the perception that registration and sales may occur of a large number of our ordinary shares.

We are a Netherlands company, and it may be difficult for you to obtain or enforce judgments against us or our directors or executive officers in the United States.

We were formed under the laws of the Netherlands and, as such, the rights of holders of our ordinary shares and the civil liability of our directors are governed by Dutch laws and our articles of association. The rights of shareholders under the laws of the Netherlands may differ from the rights of shareholders of companies incorporated in other jurisdictions. Certain of our directors and executive officers and many of our assets and some of the assets of our directors are located outside the United States. As a result, you may not be able to serve process on us or on such persons in the United States or obtain or enforce judgments from U.S. courts against us or them based on the civil liability provisions of the securities laws of the United States. There is doubt as to whether Dutch courts would enforce certain civil liabilities under U.S. securities laws in original actions or enforce claims for punitive damages.

Under our articles of association, we indemnify and hold our directors harmless against all claims and suits brought against them, subject to limited exceptions. There is doubt, however, as to whether U.S. courts would enforce such an indemnity provision in an action brought against one of our directors in the United States under U.S. securities laws.

Rights of a holder of ordinary shares are governed by Dutch law and differ from the rights of shareholders under U.S. law.

We are a public limited liability company incorporated under Dutch law. The rights of holders of ordinary shares are governed by Dutch law and our articles of association. These rights differ from the typical rights of shareholders in U.S. corporations. For example, Dutch law does not provide for a shareholder derivative action.

We do not anticipate paying dividends on our ordinary shares.

Our articles of association prescribe that profits or reserves appearing from our annual accounts adopted by the general meeting shall be at the disposal of the general meeting. We will have power to make distributions to shareholders and other persons entitled to distributable profits only to the extent that our equity exceeds the sum of the paid and called-up portion of the ordinary share capital and the reserves that must be maintained in accordance with provisions of Dutch law or our articles of association. The profits must first be used to set up and maintain reserves required by law and must then be set off against certain financial losses. We may not make any distribution of profits on ordinary shares that we hold. The general meeting, whether or not upon the proposal of our board of directors, determines whether and how much of the remaining profit they will reserve and the manner and date of such distribution. All calculations to determine the amounts available for dividends will be based on our annual accounts, which may be different from our consolidated financial statements. Our statutory accounts to date have been prepared and will continue to be prepared under Dutch generally accepted accounting principles and are deposited with the Trade Register in Amsterdam, the Netherlands. We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our ordinary shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. In addition, our credit agreement contains covenants limiting our ability to pay cash dividends.

Warburg Pincus (Bermuda) Private Equity IX, L.P. and its affiliates control 21.9% of our ordinary shares, and this concentration of ownership may have an effect on transactions that are otherwise favorable to our shareholders.

Warburg Pincus (Bermuda) Private Equity IX, L.P. and its affiliates, or Warburg Pincus, beneficially own, in the aggregate, 21.9% of our outstanding ordinary shares. These shareholders could have an effect on matters requiring our shareholders' approval, including the election of directors. This concentration of ownership also may delay, deter or prevent a change in control, and may make some transactions more difficult or impossible to

complete without the support of these shareholders, regardless of the impact of this transaction on our other shareholders. In addition, our securityholders' agreement gives TMG Holdings Coöperatief U.A., or TMG, an affiliate of Warburg Pincus, the right to designate three directors to be nominated to our board of directors for so long as TMG beneficially owns at least 25% of our outstanding ordinary shares, two directors for so long as TMG beneficially owns at least 10% but less than 25% of our outstanding ordinary shares and one director for so long as TMG beneficially owns at least 5% but less than 10% of our outstanding ordinary shares, and we have agreed to use our reasonable best efforts to cause the TMG designees to be elected. TMG has entered into a voting and support agreement with Wright pursuant to which TMG agreed to vote all of its Tornier ordinary shares in favor of our proposed merger with Wright.

We may experience deficiencies, including material weaknesses, in our internal control over financial reporting. Our business and our share price may be adversely affected if we do not remediate any deficiencies in our internal controls.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. A material weakness, as defined in the standards established by the Public Company Accounting Oversight Board, is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A report by us of a material weakness may cause investors to lose confidence in our financial statements, and the trading price of our ordinary shares may decline. If we fail to remedy any material weakness, our financial statements may be inaccurate, our access to the capital markets may be restricted and the trading price of our ordinary shares may decline.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, which may result in potential losses arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rate fluctuations. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We believe we are not exposed to a material market risk with respect to our invested cash and cash equivalents

Interest Rate Risk

Borrowings under our revolving credit facility and U.S. dollar denominated term loan bear interest at variable rates. As of December 28, 2014, we had $6.0 million of borrowings under our revolving credit facility and $61.7 million in borrowings under our U.S. dollar denominated term loan, net of the unamortized discount, and $7.8 million of other debt. Based upon this debt level, and the LIBOR floor on our interest rate, a 100 basis point increase in the annual interest rate on such borrowings would have an immaterial impact on our interest expense on an annual basis.

At our option, borrowings under our revolving credit facility and our U.S. dollar denominated term loan facility bear interest at (a) the alternate base rate (if denominated in U.S. dollars), equal to the greatest of (i) the prime rate in effect on such day, (ii) the federal funds rate in effect on such day plus 1/2 of 1%, and (iii) the adjusted LIBO rate plus 1%, plus in the case of each of (i)-(iii) above, an applicable rate of 2.00% or 2.25% (depending on our total net leverage ratio as defined in our credit agreement), or (b) the applicable adjusted LIBO rate for the relevant interest period plus an applicable rate of 3.00% or 3.25% (depending on our total net leverage ratio), plus the mandatory cost (as defined in our credit agreement) if such loan is made in a currency other than U.S. dollars or from a lending office in the United Kingdom or a participating member state (as defined in our credit agreement).

At December 28, 2014, our cash and cash equivalents were $27.9 million. Based on our annualized average interest rate, a 10% decrease in the annual interest rate on such balances would result in an immaterial impact on our interest income on an annual basis.

Foreign Currency Exchange Rate Risk

Fluctuations in the exchange rate between the U.S. dollar and foreign currencies could adversely affect our financial results. In 2014 and 2013, approximately 42% and 41%, respectively, of our revenues were denominated in foreign currencies, respectively. We expect that foreign currencies will continue to represent a similarly significant percentage of our revenues in the future. Operating expenses related to these revenues are largely denominated in the same respective currency, thereby limiting our transaction risk exposure, to some extent. However, for revenues not denominated in U.S. dollars, if there is an increase in the rate at which a foreign currency is exchanged for U.S. dollars, it will require more of the foreign currency to equal a specified amount of U.S. dollars than before the rate increase. In such cases and if we price our products in the foreign currency, we will receive less in U.S. dollars than we did before the rate increase went into effect. If we price our products in U.S. dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. dollar could result in our prices not being competitive in a market where business is transacted in the local currency.

In 2014, approximately 74% of our revenues denominated in foreign currencies were derived from European Union countries and were denominated in Euros. Additionally, we have significant intercompany payables and debt with certain European subsidiaries, which are denominated in foreign currencies, principally the Euro. Our principal exchange rate risk therefore exists between the U.S. dollar and the Euro. Fluctuations from the beginning to the end of any given reporting period result in the re-measurement of our foreign currency-denominated cash, receivables, payables and debt, generating currency transaction gains or losses that impact our non-operating income/expense levels in the respective period and are reported in foreign currency transaction gain (loss) in our consolidated financial statements. In 2014 and 2013, we economically hedged our exposure to fluctuations in the Euro and other currencies by entering into foreign exchange forward contracts.

DIRECTORS COMPENSATION

Executive Director Compensation

Overview

One of Tornier's key executive compensation objectives is to link pay to performance by aligning the financial interests of Tornier's executives with those of Tornier shareholders and by emphasizing pay for performance in Tornier's compensation programs. Tornier believes it accomplishes this objective primarily through its annual cash incentive plan, which compensates executives for achieving annual corporate financial goals and, in the case of some executives, divisional financial goals and individual goals.

During 2014, Tornier made significant progress toward its strategic initiatives, including:

- **The transition of its U.S. sales organization**. Tornier spent 2014 executing Phase 2 of its U.S. sales organization strategy, which includes the alignment of its sales representatives to focus on either upper or lower extremity products, the optimization of its sales territory structures, the hiring of additional sales representatives to fill territories and the education and training of its sales teams. Tornier achieved its goal of dedicating approximately 85% of its sales representatives to selling either upper extremity products or lower extremity products across the territories they serve. Additionally, Tornier completed the training of over 225 additional sales representatives during 2014, thereby achieving its goal of training a total of 200 sales representatives by the end of 2014.

- **The continued advancement of its product portfolio**. During 2014, Tornier continued to make progress on building and expanding its global product portfolio, including in particular its Aequalis Ascend Flex convertible shoulder system, which continued to receive positive feedback and strong surgeon support during 2014 as Tornier experienced an increased level of competitive conversions across a broad range of customers.

Despite the disruption in Tornier's U.S. sales channel as a result of the strategic initiative to establish separate sales channels that are individually focused on selling either upper extremity products or lower extremity products, Tornier's 2014 financial performance was strong. Tornier's total revenue was $345.0 million, representing growth of 11 percent over 2013 total revenue. Total extremities revenue was $272.6 million, also representing growth of 11 percent over 2013 total extremities revenue.

Tornier's 2014 financial performance had the following impact on its pay programs:

- Tornier's adjusted total revenue, total extremities revenue and adjusted EBITDA substantially exceeded target goals, resulting in maximum or near maximum payouts for those goals under Tornier's cash incentive plan. Tornier's adjusted free cash flow was substantially below target and did not meet the threshold goal, resulting in no payout for that goal under Tornier's cash incentive plan. Taking into account the weightings of the corporate performance goals, the total weighted average payout percentage applicable to the portion of the annual cash incentive bonus tied to corporate performance goals was 119% of target.

- Executives with individual performance goals performed exceptionally well during 2014, resulting in a decision by the compensation committee to pay out for individual performance despite the fact that the threshold adjusted free cash flow metric was not met.

- Overall 2014 plan payouts for named executive officers ranged from 115.2% to 137.6% of target.

- Since most of Tornier's executives' pay is variable compensation tied to financial results or share price, and not fixed compensation, these cash incentive plan payouts, together with retention stock grants awarded to most of the named executive officers, resulted in actual total compensation for Tornier's named executive officers above Tornier's targeted range of 50th to 75th percentile of a group of similarly sized peer companies based on compensation benchmarking completed in 2014.

On October 27, 2014, Tornier entered into an agreement and plan of merger with Wright Medical Group, Inc. pursuant to which, upon the terms and subject to the conditions set forth therein, an indirect wholly owned subsidiary of Tornier will merge with and into Wright, with Wright continuing as the surviving company and an indirect wholly owned subsidiary of Tornier following the transaction Upon completion of the merger, Tornier shareholders will own approximately 48% of the combined company on a fully diluted basis and Wright shareholders will own approximately 52%. Following the closing of the transaction, the combined company will conduct business as Wright Medical Group N.V. and. Robert J. Palmisano, Wright's president and chief executive officer, will become president and chief executive officer of the combined company and David H. Mowry, Tornier's president and chief executive officer, will become executive vice president and chief operating officer of the combined company. The transaction is subject to approval of Tornier and Wright shareholders, effectiveness of a Form S-4 registration statement filed by us with the Securities and Exchange Commission and regulatory approvals, and other customary closing conditions. The transaction is expected to be completed during the second or third quarter of 2015. Once completed, the proposed merger will constitute a "change in control" under Tornier's stock incentive plan and executive employment agreements, resulting in immediate acceleration of vesting on all outstanding equity-based awards and change in control payments and benefits for those executives whose employment is terminated within 12 months of the completion of the merger. The change in control payments and benefits consist of a lump sum payment equal to one year of the executive's base salary plus target bonus for the year of termination and health and welfare benefit continuation for 12 months.

Compensation Highlights and Best Practices

Tornier's compensation practices include many best pay practices that support Tornier's executive compensation objectives and principles, and benefit its shareholders, such as the following:

- **Pay for performance**. Tornier ties compensation directly to financial performance. Tornier's annual cash incentive plan pays out only if certain minimum threshold levels of financial performance are

met. For annual cash incentive awards, Tornier establishes threshold levels of performance for each performance measure that must be met for there to be a payout for that performance measure.

- **Bonus caps**. Annual cash incentive awards have maximum levels of financial performance. At maximum or greater than maximum levels of performance, annual cash incentive plan payouts are capped at 150% of target.
- **Performance measure mix**. Tornier uses a mix of performance measures within its annual cash incentive plan, including total revenue, total extremities revenue, EBITDA and free cash flow, in each case as adjusted.
- **At-risk pay**. A significant portion of executives' compensation is "performance-based" or "at risk." For 2014, 76% of target total direct compensation was performance-based for the CEO, and between 70% and 76% of target total direct compensation for other named executive officers was performance-based, assuming grant date fair values for equity awards.
- **Equity-based pay**. A significant portion of executives' compensation is "equity-based" and in the form of stock-based incentive awards. For 2014, 57% of target total direct compensation for the CEO and between 51% and 67% of target total direct compensation for other named executive officers was equity-based, assuming grant date fair values for equity awards.
- **LTI grant guidelines**. The Tornier board of directors, upon recommendation of the compensation committee, each year adopts long-term incentive guidelines for the grant of equity awards to employees under the Tornier N.V. 2010 Incentive Plan and caps total equity award dilution at 2.3% per year.
- **Four-year vesting**. Value received under long-term equity-based incentive awards is tied to four-year vesting and any value received by executives from stock option grants is contingent upon long-term stock price performance in that stock options have value only if the market value of Tornier ordinary shares exceeds the exercise price of the options.
- **Clawback policy**. Tornier's stock incentive plan and related award agreements include a "clawback" mechanism to recoup incentive compensation if it is determined that executives engaged in certain conduct adverse to Tornier's interests. In addition, Tornier's annual cash incentive plan also contains a clawback provision.
- **No tax gross-ups**. Tornier does not provide tax "gross-up" payments in connection with any compensation, benefits or perquisites provided to executives.
- **Limited perquisites**. Tornier provides only limited perquisites to its executives.
- **Stock ownership guidelines**. Tornier maintains stock ownership guidelines for all of its executives.
- **No hedging or pledging**. Tornier prohibits its executives from engaging in hedging transactions, such as short sales, transactions in publicly traded options, such as puts, calls and other derivatives, and pledging Tornier ordinary shares in any significant respect.

Say-on-Pay Vote

At Tornier's 2014 annual general meeting of shareholders, Tornier shareholders had the opportunity to provide an advisory vote on the compensation paid to Tornier's named executive officers, or a "say-on-pay" vote. Of the votes cast by Tornier shareholders, over 99% were in favor of Tornier's "say-on-pay" proposal. Accordingly, the compensation committee generally believes that these results affirmed shareholder support of Tornier's approach to executive compensation and did not believe it was necessary to make; and therefore, Tornier has not made, any significant changes to its executive pay program solely in response to that vote. In accordance with the result of the advisory vote on the frequency of the say-on-pay vote, which was conducted at Tornier's 2011 annual general meeting of shareholders, the Tornier board of directors has determined that Tornier will conduct an executive compensation advisory vote every three years. Accordingly, the next say-on-pay vote will occur in 2017 in connection with Tornier's 2017 annual general meeting of shareholders.

Compensation Objectives and Principles

Tornier's executive compensation policies, plans and programs seek to enhance its profitability, and thus shareholder value, by aligning the financial interests of executives with those of Tornier shareholders and by emphasizing pay for performance. Specifically, Tornier's executive compensation programs are designed to:

- Attract and retain executives important to the success of Tornier and the creation of value for Tornier shareholders.
- Reinforce Tornier's corporate mission, vision and values.
- Align the interests of executives with the interests of Tornier shareholders.
- Reward executives for progress toward Tornier's corporate mission and vision, the achievement of company performance objectives, the creation of shareholder value in the short and long term and the executives' general contributions to the success of Tornier.

To achieve these objectives, the compensation committee makes pay decisions based on the following principles:

- Base salary and total compensation levels will generally be targeted within the range of the 50th to 75th percentile of a group of similarly-sized peer companies. However, the competitiveness of any individual executive's salary will be determined considering factors like the executive's skills and capabilities, contributions as a member of the executive management team and contributions to Tornier's overall performance. Pay levels will also reflect the sufficiency of total compensation potential and structure to ensure the retention of an executive when considering the executive's compensation potential that may be available elsewhere.
- At least two-thirds of the CEO's compensation and half of other executives' compensation opportunity should be in the form of variable compensation that is tied to financial results or share price.
- The portion of total compensation that is performance-based or at-risk should increase with an executive's overall responsibilities, job level and compensation. However, compensation programs should not encourage excessive risk-taking by executives.
- A primary emphasis should be placed on company performance as measured against goals approved by the compensation committee rather than on individual performance.

At least half of the CEO's compensation and one-third of other executives' compensation opportunity should be in the form of stock-based incentive awards.

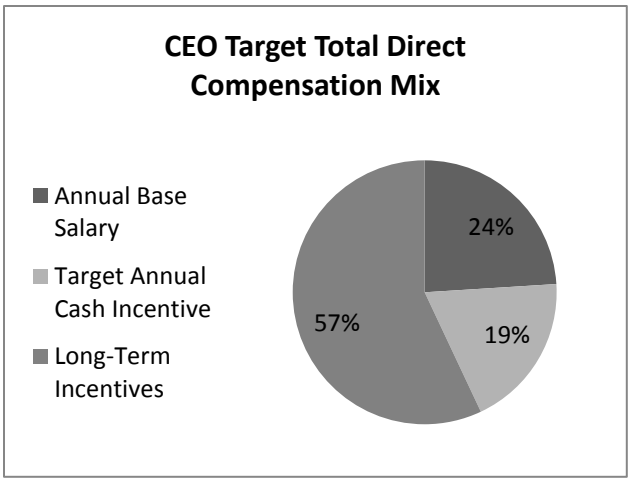
Executive Director Compensation Components

The principal elements of compensation for David H. Mowry, our President and Chief Executive Officer and executive director (sometimes referred to as "CEO"), for 2014 were:

- base salary;
- short-term cash incentive compensation; and
- long-term equity-based incentive compensation, in the form of stock options and stock awards.

The overall mix of annual base salary, target annual cash incentive compensation and long-term equity-based incentive compensation as a percent of target total direct compensation for our CEO for 2014 is provided below. The value of the long-term incentives represented is based on the grant date fair value of stock options and

stock awards granted during 2014. Actual long-term incentive value will be based on long-term stock price performance. Other compensation, including perquisites, is excluded from the table below.



Base Salary

Tornier provides a base salary for its named executive officers that, unlike some of the other elements of its executive compensation program, is not subject to company or individual performance risk. Tornier recognizes the need for most executives to receive at least a portion of their total compensation in the form of a guaranteed base salary that is paid in cash regularly throughout the year.

We initially fix base salaries for our executives at a level we believe enables us to hire and retain them in a competitive environment and to reward satisfactory individual performance and a satisfactory level of contribution to our overall business objectives. We review the base salaries of its named executive officers in the beginning of each year following the completion of its prior year individual performance reviews. If appropriate, Tornier may increase base salaries to recognize annual increases in the cost of living and superior individual performance and to ensure that its base salaries remain market competitive. Annual base salary increases as a result of cost of living adjustments and individual performance are referred to as "merit increases." In addition, Tornier may make additional upward adjustments to an executive's base salary to compensate the executive for assuming increased roles and responsibilities, to retain an executive at risk of recruitment by other companies, and/or to bring an executive's base salary closer to the 50th to 75th percentile of companies in Tornier's peer group. Tornier refers to these base salary increases as "market adjustments."

Mr. Mowry's 2013 base salary was $550,000, which represented a 22.2% increase over his prior base salary of $450,000. Mr. Mowry received both a merit increase and a market adjustment to his base salary in 2014. In evaluating the performance of Mr. Mowry and the amount of his 2014 base salary increase, the compensation committee considered Mr. Mowry's self-review, discussed his performance, considered the benchmarking data gathered by Mercer and sought the input from the non-executive directors. In assessing the performance of Mr. Mowry, the compensation committee evaluated primarily his ability to achieve his goals and objectives and lead the company. Mr. Mowry's percentage increase in base salary was to bring his base salary closer to the 50th percentile. Even after such upward market adjustment, Mr. Mowry's base salary was slightly below the 50th percentile.

Short-Term Cash Incentive Compensation

Our short-term cash incentive compensation is paid as an annual cash payout under our corporate performance incentive plan. These payouts are intended to compensate executives, as well as other employees, for achieving annual corporate financial performance goals and, in some cases, divisional financial performance goals, and, in most cases, individual performance goals.

Target payouts are represented as a percentage of base salary. For Mr. Mowry, his target percentage of base salary for 2014 was 100%. For 2014, Mr. Mowry's payout under our corporate performance incentive plan was entirely based upon achievement of four corporate performance goals. The corporate performance metrics and their weightings for 2014 are set forth in the table below. These four corporate performance metrics were selected for 2014 because they were determined to be the four most important indicators of Tornier's financial performance for 2014 as evaluated by management and analysts. Extremities revenue was weighted most heavily since that was intended to be Tornier's greatest focus in 2014.

Corporate performance metric	Weighting
Adjusted extremities revenue	50%
Adjusted EBITDA	20%
Adjusted free cash flow	20%
Adjusted total revenue	10%

The table below sets forth the corporate performance goals for 2014, the range of possible payouts, and the actual payout percentage for Tornier's named executive officers based on the actual performance achieved. In each case, the goals were adjusted for certain items, including changes to foreign currency exchange rates and items that are unusual and not reflective of normal operations. If performance falls below the threshold level, there is no payout for such performance metric. If performance falls between the threshold, target and maximum levels, actual payout percentages are determined on a sliding scale basis, with payouts for each performance metric starting at 50% of target for threshold performance and capped at 150% of target for maximum achievement. For 2014, the total weighted-average payout percentage applicable to the portion of the 2014 annual cash incentive bonus tied to corporate performance goals was 119.5% of target since actual performance exceeded target for all performance goals except the adjusted free cash flow goal.

	Performance goals[1]				
Performance metric*	Threshold (50% payout)	Target (100% payout)	Maximum (150% payout)	2014 performance[2]	2014 payout
Adjusted extremities revenue[3]	$260.3 mil.	$272.3 mil.	$284.5 mil.	$ 288.0 mil.	150%
Adjusted EBITDA[4]	24.8 mil.	28.6 mil.	35.1 mil.	34.9 mil.	147%
Adjusted free cash flow[5]	(14.7) mil.	(11.0) mil.	(4.4) mil.	(31.2) mil.	0%
Adjusted total revenue[6]	311.0 mil.	325.7 mil.	340.3 mil.	346.2 mil.	150%

*Performance goals based on U.S. GAAP financial metrics.

(1) The performance goals were established based on an assumed foreign currency exchange rate. For revenue, Tornier assumed a foreign currency exchange rate of 1.277, which represented the actual reported average rate of foreign exchange in 2013. For all other performance goals, Tornier assumed a foreign currency exchange rate of 1.32 U.S. dollars for 1 Euro, which represented an anticipated average rate of foreign exchange for 2014 and which was the foreign currency exchange rate used by Tornier for 2014 budgeting purposes.

(2) The compensation committee determined 2014 payouts after reviewing Tornier's unaudited financial statements, which were adjusted for changes to foreign currency exchange rates and which were subject to additional discretionary adjustment by the compensation committee for items that are unusual and not reflective of normal operations. For purposes of determining 2014 payouts, in addition to foreign currency exchange rate adjustments, the compensation committee made additional adjustments discussed in the notes below. Accordingly, the figures included in the "2014 performance" column reflect foreign currency exchange rate and discretionary adjustments and differ from the figures reported in Tornier's 2014 audited financial statements.

(3) "Adjusted extremities revenue" means Tornier's extremities revenue for 2014, as adjusted for changes to foreign currency exchange rates.

(4) "Adjusted EBITDA" means Tornier's net loss for 2014, as adjusted for changes to foreign currency exchange rates, before interest income and expense, income tax expense and benefit, depreciation and amortization, as adjusted further to give effect to, among other things, non-operating income and expense,

foreign currency transaction gains and losses, share-based compensation, amortization of the inventory step-up from acquisitions and special charges including acquisition, integration and distribution transition costs, restructuring charges, and certain other items that affect the comparability and trend of Tornier's operating results.

(5) "Adjusted free cash flow" means cash flow generated from operations less instrument investments and plant, property and equipment investments, as adjusted for changes to foreign currency exchange rates.

(6) "Adjusted total revenue" means Tornier's total revenue for 2014, as adjusted for changes to foreign currency exchange rates.

The table below sets forth the maximum potential bonus opportunity for Mr. Mowry as a percentage of his base salary and the actual bonus paid under the corporate performance incentive plan for 2014, both in amount and as a percentage of 2014 base earnings:

Name	Maximum potential bonus as percentage of base salary	Actual bonus paid ($)	Actual bonus paid as a percentage of 2014 base earnings
David H. Mowry	120% (150% of 80%)	$ 513,999	95.2%

Long-Term Equity-Based Incentive Compensation

The compensation committee's primary objectives with respect to long-term equity-based incentives are to align the interests of executives with the long-term interests of Tornier shareholders, promote stock ownership and create significant incentives for executive retention. Long-term equity-based incentives typically comprise a significant portion of each named executive officer's compensation package, consistent with Tornier's executive compensation philosophy that at least half of the CEO's compensation and one-third of other executives' compensation opportunity should be in the form of stock-based incentive awards. For 2014, equity-based compensation comprised 57% of total compensation for Mr. Mowry during the year.

Before Tornier's initial public offering in February 2011, Tornier granted stock options under Tornier's prior stock option plan, which is now the Tornier N.V. Amended and Restated Stock Option Plan and referred to in this report as Tornier's prior stock option plan. Since Tornier's initial public offering, Tornier ceased making grants under Tornier's prior stock option plan and subsequently has granted stock options and other equity-based awards under the Tornier N.V. 2010 Incentive Plan, which is referred to in this report as Tornier's stock incentive plan or the 2010 plan. Both our board of directors and shareholders have approved our stock incentive plan, under which our CEO is eligible to receive equity-based incentive awards. All equity-based incentive awards granted to Mr. Mowry during 2014 were made under our stock incentive plan.

To assist the Tornier board of directors in granting, and the compensation committee and management in recommending the grant of, equity-based incentive awards, the compensation committee, in April 2014, on Mercer's recommendation, adopted long-term incentive grant guidelines. In addition to long-term incentive grant guidelines, the Tornier board of directors adopted a stock grant policy document, which includes policies that the Tornier board of directors and compensation committee follow in connection with granting equity-based incentive awards, including the long-term incentive grant guidelines.

Types of Equity Grants. Under Tornier's long-term incentive grant guidelines and policy document, the Tornier board of directors, on recommendation of the compensation committee, generally grants three types of equity-based incentive awards to named executive officers: performance recognition grants, talent acquisition grants and special recognition grants. On limited occasion, the Tornier board of directors, on recommendation of the compensation committee, may grant purely discretionary awards.

Performance recognition grants are discretionary annual grants that are made during mid-year to give the compensation committee another formal opportunity during the year to review executive compensation and recognize executive and other key employee performance. In July 2014, the performance recognition grants were

approved by the Tornier board of directors, on recommendation of the compensation committee, but the grant date of the awards was effective as of the third full trading day after the release of Tornier's second quarter earnings in August 2014. The recipients and size of the performance recognition grants were determined, on a preliminary basis, by each executive with input from their management team and based on Tornier's long-term incentive grant guidelines and the 10-trading day average closing sale price of Tornier ordinary shares as reported by the NASDAQ Global Select Market. Grants were determined one week before the corporate approval of the awards, and then ultimately approved by the Tornier board of directors, on recommendation by the compensation committee. Under Tornier's long-term incentive grant guidelines for annual performance recognition grants, named executive officers received a certain percentage of their respective base salaries in stock options and stock grant awards (in the form of restricted stock units and referred to as stock awards or RSUs in this CD&A and elsewhere in this report), as set forth in more detail in the table below.

Once the target total long-term equity value was determined for each executive based on the executive's relevant percentage of base salary, half of the value was provided in stock options and the other half was provided in stock awards. The reasons why Tornier uses stock options and stock awards are described below under "—*Stock Options*" and "—*Stock Awards*." The target dollar value to be delivered in stock options (50% of the target total long-term equity value) was divided by the Black-Scholes value of one Tornier ordinary share to determine the number of stock options, which then was rounded to the nearest whole number or in some cases multiple of 100. The number of stock awards was calculated using the intended dollar value (50% of the target total long-term equity value) divided by the 10-trading day average closing sale price of Tornier ordinary shares as reported by the NASDAQ Global Select Market and was determined one week before the date of anticipated corporate approval of the award, which number was then rounded to the nearest whole number or in some cases multiple of 100. Typically, the number of Tornier ordinary shares subject to stock awards is fewer than the number of Tornier ordinary shares that would have been covered by a stock option of equivalent target value. The actual number of stock options and stock awards granted may then be pared back so that the estimated run rate dilution under Tornier's stock incentive plan is acceptable to the compensation committee (i.e., approximately 2.7% for 2014). The table below describes our long-term incentive grant guidelines for annual performance recognition grants that applied to Mr. Mowry for 2014.

Named executive officer	Grade level	Incentive grant guideline expressed as % of base salary for grade level	Incentive grant guideline dollar value of long-term incentives ($)
David H. Mowry	11	250%	$ 1,375,000

Stock Options. Historically, Tornier has granted stock options to named executive officers, as well as other key employees. Tornier believes that options effectively incentivize employees to maximize company performance, as the value of awards is directly tied to an appreciation in the value of Tornier ordinary shares. They also provide an effective retention mechanism because of vesting provisions. An important objective of Tornier's long-term incentive program is to strengthen the relationship between the long-term value of Tornier ordinary shares and the potential financial gain for employees. Stock options provide recipients with the opportunity to purchase Tornier ordinary shares at a price fixed on the grant date regardless of future market price. The vesting of Tornier's stock options is generally time-based. Consistent with Tornier's historical practice, 25% of the shares underlying the stock option typically vest on the one-year anniversary of the grant date (or if later, on the hire date) and the remaining 75% of the underlying shares vest over a three-year period thereafter in 12 nearly equal quarterly installments. Tornier's policy is to grant options only with an exercise price equal to or more than the fair market value of a Tornier ordinary share on the grant date.

Because stock options become valuable only if the share price increases above the exercise price and the option holder remains employed during the period required for the option to vest, they provide an incentive for an executive to remain employed. In addition, stock options link a portion of an employee's compensation to the interests of Tornier shareholders by providing an incentive to achieve corporate goals and increase the market price of Tornier ordinary shares over the four-year vesting period.

To comply with Dutch insider trading laws, we time our option grants to occur on the third trading day after the public release of our financial results for our most recently ended quarter.

Stock Awards. Stock awards are intended to retain key employees, including named executive officers, through vesting periods. Stock awards provide the opportunity for capital accumulation and more predictable long-term incentive value than stock options. All of Tornier's stock awards are stock grants in the form of restricted stock units, which is a commitment by Tornier to issue Tornier ordinary shares at the time the stock award vests. The specific terms of vesting of a stock award depend on whether the award is a performance recognition grant or talent acquisition grant. Performance recognition grants of stock awards are made mid-year and vest in four annual installments on June 1st of each year. Talent acquisition grants of stock awards to new hires vest in a similar manner, except that the first installment is often pro-rated, depending on the grant date.

2014 Equity Awards. In 2014, Mr. Mowry received his annual performance recognition grant of a stock option to purchase 66,373 ordinary shares and a stock award in the form of a restricted stock unit for 30,009 ordinary shares, the value of which awards was consistent with Mr. Mowry's long-term incentive grant guideline of $1,375,000.

Non-Executive Directors Compensation

Overview

Under the terms of the Tornier board of directors compensation policy, which was approved by the general meeting of the Tornier shareholders on August 26, 2010 and was amended on October 28, 2010, the compensation packages for Tornier's non-executive directors are determined by Tornier's non-executive directors, based upon recommendations by the compensation committee. Such compensation is determined by Tornier's non-executive directors pursuant to the terms of Tornier's articles of association which provide that if all directors have a conflict of interest in the matter to be acted upon, the matter shall be approved by the non-executive directors. In determining non-executive director compensation, Tornier targets such compensation in the market median range of Tornier's peer companies; although, Tornier may deviate from the median if Tornier determines necessary or appropriate on a case by case basis.

Under the terms of Tornier's non-executive director compensation policy, compensation for Tornier's non-executive directors is comprised of both cash compensation and equity-based compensation. Cash compensation is in the form of annual or other retainers for non-executive directors, chairman, committee chairs and committee members. Equity-based compensation is in the form of initial and annual stock option and stock grants (in the form of restricted stock units). Each of these components is described in more detail below. Tornier does not generally provide perquisites and other personal benefits to Tornier's non-executive directors.

During 2014, Tornier's compensation committee engaged Mercer to review Tornier's non-executive director compensation program. In so doing, Mercer analyzed the outside director compensation levels and practices of Tornier's peer companies. Mercer used the same peer group as was approved by the compensation committee in February 2013 and used to gather compensation information for Tornier's executive officers, with the exception that Heartware International, Inc. was substituted for Conceptus, Inc. For more information regarding the peer companies, see the information under "—Compensation Discussion and Analysis—Determination of Executive Compensation—Use of Peer Group and Other Market Data" of this report. Based on Mercer's recommendations, the compensation committee recommended and the Tornier board of directors approved no changes to Tornier's non-executive director compensation policy during 2014. Tornier's non-executive director compensation policy is consistent with its shareholder-approved board of directors compensation policy.

Cash Compensation

The cash compensation component of Tornier's non-executive director compensation consists of gross annual fees, commonly referred to as annual cash retainers, paid to each non-executive director and additional annual cash retainers paid to the chairman and each board committee chair and member. The table below sets forth the annual cash retainers paid to each non-executive director and the additional annual cash retainers paid to the chairman and each board committee chair and member:

Description	Annual cash retainer ($)
Non-executive director	40,000
Chairman premium	50,000
Audit committee chair premium	15,000
Compensation committee chair premium	10,000
Nominating, corporate governance and compliance committee chair premium	5,000
Strategic transactions committee chair premium	10,000
Audit committee member (including chair)	10,000
Compensation committee member (including chair)	5,000
Nominating, corporate governance and compliance committee member (including chair)	5,000
Strategic transactions committee member (including chair)	5,000

The annual cash retainers are paid on a quarterly basis in arrears within 30 days of the end of each calendar quarter. For example, the retainers for the first calendar quarter covering the period from January 1 through March 31 are paid within 30 days of March 31.

In addition, each non-executive director, other than Mr. Tornier, receives a cash travel stipend of $2,000 for each board meeting attended in person that takes place in the Netherlands or other location outside the United States.

Equity-Based Compensation

The equity-based compensation component of Tornier's non-executive director compensation consists of initial stock option and stock grants (in the form of restricted stock units) to new non-executive directors upon their first appointment or election to the Tornier board of directors and annual stock option and stock grants (in the form of restricted stock units) to all non-executive directors on the same date that annual performance recognition grants of equity awards are made to Tornier's employees (or such other date if otherwise in accordance with all applicable, laws, rules and regulations).

Non-executive directors, upon their initial election to the Tornier board of directors and on an annual basis thereafter effective as of the same date that annual performance recognition grants of equity awards are made to Tornier's employees (or such other date if otherwise in accordance with all applicable, laws, rules and regulations), receive $125,000, one-half of which is paid in stock options and the remaining one-half of which is paid in stock grants (in the form of restricted stock units). The number of Tornier ordinary shares underlying the stock options and stock grants is determined based on the 10-trading day average closing sale price of a Tornier ordinary share, as reported by the NASDAQ Global Select Market, and as determined one week prior to the date of anticipated corporate approval of the award. The stock options have a term of 10 years and a per share exercise price equal to 100% of the fair market value of a Tornier ordinary share on the grant date. The stock options and stock grants (in the form of restricted stock units) vest over a two-year period, with one-half of the underlying shares vesting on each of the one-year and two-year anniversaries of the grant date, in each case so long as the director is still a director as of such date.

Accordingly, on August 12, 2014, each of Tornier's non-executive directors received a stock option to purchase 6,034 Tornier ordinary shares at an exercise price of $21.66 per share and a stock grant in the form of a restricted stock unit representing 2,728 Tornier ordinary shares.

Our non-executive director compensation policy allows Tornier's non-executive directors to elect to receive a stock grant in lieu of 100% of their annual cash retainers payable for services to be rendered as a non-executive director, chairman and chair or member of any board committee. Each non-executive director who elects to receive a stock grant in lieu of such director's annual cash retainers is granted a stock grant (in the form of a restricted stock unit) under Tornier's stock incentive plan for that number of Tornier ordinary shares as determined by dividing the aggregate dollar amount of all annual cash retainers anticipated to payable to such director for the period commencing on July 1 of each year to June 30 of the following year by the 10-trading day average closing sale price of Tornier ordinary shares as reported by the NASDAQ Global Select Market and as determined one week prior to the date of anticipated corporate approval of the award. Four of Tornier's non-executive directors elected to

receive such a stock grant in lieu of their cash retainers for the period covering July 1, 2013 through June 30, 2014, and the same four non-executive directors elected to receive such a stock grant in lieu of their cash retainers for the period covering July 1, 2014 through June 30, 2015. Accordingly, effective as of August 9, 2013 and August 12, 2014, these four non-executive directors received stock grants. If a non-executive director who elected to receive a stock grant in lieu of such director's annual cash retainers is no longer a director before such director's interest in all of the Tornier ordinary shares underlying the stock grant have vested and become issuable, then such director will forfeit his or her rights to receive all of the shares underling such stock grant that have not vested and been issued as of the date such director's status as a director so terminates. In such case, the non-executive director will receive in cash a pro rata portion of his or her annual cash retainers for the quarter in which the director's status as a director terminates.

If a non-executive director who elected to receive a stock grant in lieu of such director's annual cash retainers becomes entitled to receive an increased or additional annual cash retainer during the period from July 1 to June 30 of the next year, such director will receive such increased or additional annual cash retainer in cash until July 1 of the next year when the director may elect (on or prior to June 15 of the next year) to receive a stock grant in lieu of such director's annual cash retainers.

If a non-executive director who elected to receive a stock grant in lieu of such director's annual cash retainers experiences a change in the director's membership on one or more board committees or chair positions prior to June 30 of the next year such that the director becomes entitled to receive annual cash retainers for the period from July 1 to June 30 of the next year aggregating an amount less than the aggregate amount used to calculate the director's most recent stock grant received, the director will forfeit as of the effective date of such board committee or chair change his or her rights to receive a pro rata portion of the shares underlying such stock grant reflecting the decrease in the director's aggregate annual cash retainers and the date on which such decrease occurred. In addition, the vesting of the stock grant will be revised appropriately to reflect any such change in the number of shares underlying the stock grant and the date on which such change occurred.

CORPORATE GOVERNANCE

Directors and Corporate Governance

We believe that good corporate governance is important to ensure that our company is managed for the long-term benefit of our stakeholders, including our shareholders. Our board of directors has adopted Rules to assist the board of directors in the exercise of its duties and responsibilities and to serve the best interests of our company and our shareholders. The Rules for the board of directors provide a framework for the conduct of our board of directors. You can access our Rules for the board of directors, our Code of Business Conduct and Ethics, Whistleblower Policy and the current charters for our audit committee, compensation committee, nominating, corporate governance and compliance committee, and strategic transactions committee at www.tornier.com.

In addition, the Dutch Corporate Governance Code, or Dutch Code, applies to Tornier. The Dutch Code was published on 10 December 2008 and was entered into force on January 1, 2009. A copy of the Dutch Code can be downloaded from www.commissiecorporategovernance.nl. The Dutch Code emphasizes the principles of integrity, transparency and accountability as the primary means of achieving good corporate governance. The Dutch Code includes certain principles of good corporate governance, supported by "best practice" provisions, and our board of directors agrees with the fundamental principles of the Dutch Code. However, some of the best practice provisions of the Dutch Code conflict, in whole or in part, with the corporate governance rules of the NASDAQ Stock Market and U.S. securities laws that apply to us as a company whose ordinary shares are traded on NASDAQ. As a result, we are not able to apply some of the Dutch best practice provisions. In accordance with the Dutch Code's compliance principle of "comply or explain," which permits Dutch companies to be fully compliant with the Dutch Code either by applying the Dutch best practices or by explaining why the company has chosen not to apply certain of the best practices, we are disclosing in this separate chapter "Corporate Governance" of the Board of Directors Report that accompanies our Financial Statements to what extent we do not (fully) apply provisions of the Dutch Code, together with the reasons for those deviations.

In this separate chapter on Corporate Governance also a broad outline of the corporate governance structure of Tornier is explained. Any substantial change in the corporate governance structure of Tornier will be explained to the shareholders at our annual general meeting of shareholders, anticipated to be held on June 26, 2014.

The Dutch Code

The board of directors agrees with the fundamental principles of the Dutch Code. However, some of the best practice provisions of the Dutch Code conflict, in whole or in part, with the corporate governance rules of the NASDAQ Stock Market and U.S. securities laws that apply to us as a company whose ordinary shares are traded on NASDAQ. As a result, we are not able to (fully) apply some of the Dutch best practice provisions.

Deviations from the Dutch Code

Best practice provision II 2.4: *If options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand.*

Both our stock option plan and our stock incentive plan were adopted to help us recruit eligible members for our board of directors in a competitive international environment and to align our long-term interests with those of these directors. Before our initial public offering in February 2011, we granted stock options under our prior stock option plan, which is now the Tornier N.V. Amended and Restated Stock Option Plan. As of February 2, 2011, we ceased making grants under the Tornier N.V. Amended and Restated Stock Option Plan and subsequently have granted stock options and other equity-based awards under our stock incentive plan, the Tornier N.V. 2010 Incentive Plan. Our shareholders approved an amendment to the stock incentive plan on June 27, 2012 to increase the number of ordinary shares available for issuance under the plan. According to its terms, our employees, certain non-employees and certain members of our board of directors have been granted options under our stock option plan and our stock incentive plan, and may in the future be granted awards under our stock incentive plan, that are not tied to predetermined performance criteria as called for by the Dutch Code. Additionally, some of the previously granted options are, and some of our future awards will be, exercisable within three years of the date they were, or are, granted. We believe that these awards enable us to attract and retain high caliber directors and thereby create value for our other shareholders.

Best practice provision II 2.5: *Shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of challenging targets specified beforehand.*

We refer to our explanation for the deviation under best practice provision II 2.4, as some of the previously granted options and stock grants are, and some of our future awards will be, exercisable or vested within three years of the date they were, or are, granted and are not required to be retained by recipients for a certain minimum period of time.

Best practice provision II 2.7: *Neither the exercise price of options granted nor the other conditions may be modified during the term of the options, except in so far as prompted by structural changes relating to the shares or the company in accordance with established market practice.*

Consistent with market practice, our board of directors has the ability to amend, suspend or terminate the stock option plan, the stock incentive plan, and options granted under either plan at any time, provided that no amendment or termination will impair the rights of any person holding options at the time of such amendment or termination. Our board's ability to modify and enhance the stock option plan, the stock incentive plan, and the options granted under either plan allows us to maintain a good position in the market for directors and offer an attractive compensation package.

Best practice provision II 2.11: *The supervisory board may recover from the management board members any variable remuneration awarded on the basis of incorrect financial or other data (clawback clause).*

Tornier has arrangements that are commensurate with local and legal requirements to ensure competitive employment offers to the members of our board of directors, but has not adopted a clawback policy yet. The clawback provisions in the Sarbanes-Oxley Act of 2002 and the clawback requirements that will be adopted by NASDAQ pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, however, apply to Tornier. In addition, the Tornier N.V. 2010 Incentive Plan contains a clawback provision that applies to equity-based compensation awards under that plan. In addition, the Tornier N.V. Corporate Performance Incentive Plan contains a clawback provision. We intend to adopt a formal clawback policy once final NASDAQ rules on clawback policies have been adopted.

Best practice provision III. 2.1: *All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.*

Our board of directors consists of seven members, one of whom is our executive director and six of whom are non-executive directors. Two of our six non-executive directors are independent under the Dutch Code. We have determined that a majority of our seven directors are independent under the Rules of NASDAQ. Even if they are not independent under Dutch law, the non-executive directors are obliged to perform their tasks in the best interests of our company and shareholders. Under the Dutch Code, a non-executive director shall be deemed to be independent if the director is not:

- A person who had an important business relationship with the company in the year prior to the appointment. A consulting agreement entered into between Mr. Tornier and us created such relationship and therefore he is not deemed independent under the Dutch Code. Also, we entered into agreements with BioSET and Tepha, on which companies Mr. Emmitt serves on the board and therefore he is not deemed independent under the Dutch Code.

- A person who is a member of our board of directors and is a representative in some other way of a legal entity which holds at least ten percent of our shares, unless such entity is a member of the same group as us. Mr. Carney's and Ms. Weatherman's relationship with Warburg Pincus, as shareholder as described in this Board of Directors Report, would make them not independent under the Dutch Code.

Best practice provision III.3.1: *The supervisory board shall prepare a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the supervisory board members. The profile shall deal with the aspects of diversity in the composition of the supervisory board that are relevant to the company and shall state what specific objective is pursued by the board in relation to diversity. In so far as the existing situation differs from the intended situation, the supervisory board shall account for this in the report of the supervisory board and shall indicate how and within what period it expects to achieve this aim. The profile shall be made generally available and shall be posted on the company's website.*

In general, the profile for Tornier's board of directors aims for an adequate composition reflecting the international business activities of Tornier as well as an adequate level of experience and independence of its members. The Dutch Code specifies that the nominating, corporate governance and compliance committee should consider high personal and professional ethics. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board of directors to fulfill its responsibilities. Accordingly, the nominating, corporate governance and compliance committee seeks nominees with a broad diversity of experience, professions, skills and backgrounds.

Best practice provision III.5.11: *The remuneration committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the management board of another listed company.*

The NASDAQ listing requirements do not provide for a similar provision and we believe that Mr. Carney is best qualified to chair the compensation committee.

Best practice provision III 6.6: A *delegated supervisory board member is a supervisory board member who has a special duty. The delegation may not extend beyond the duties of the supervisory board itself and may not include the management of the company. It may entail more intensive supervision and advice and more regular consultation with the management board. The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the supervisory board. The delegated supervisory board member remains a member of the supervisory board.*

Tornier does not have a delegated member of the board of directors. The board of directors has four committees that perform their respective duties.

Best practice provision III 7.1: *A supervisory board member may not be granted any shares and/or rights to shares by way of remuneration.*

We refer to our explanation for the deviation under best practice provision II 2.4.

Best practice provision III 7.2: *Any shares held by a supervisory board member in the company on whose board he sits are long-term investments.*

The NASDAQ listing requirements do not require board members to hold shares for any length of time. Tornier believes that allowing our members of the board of directors flexibility to sell their shares enhances our ability to attract and retain individuals with the required skills and expertise to serve on our board of directors.

Notwithstanding the foregoing, we recently established stock ownership guidelines that are intended to align the interests of our executive officers with those of our shareholders. Stock ownership targets for our executive officers are set at that number of ordinary shares with a value equal to a multiple of the executive's annual base salary, with the multiple equal to three times for our CEO and executive director and one and one-half times for our other executive officers. Executive officers have five years from the date of hire or, if the ownership multiple has increased during his or her tenure, five years from the date established in connection with such increase to reach their stock ownership target. Until the applicable stock ownership target is achieved, each executive subject to the guidelines is required to retain an amount equal to 75% of the net shares received as a result of the exercise of stock options or the vesting of restricted stock units. If there is a significant decline in our stock price that causes executives to be out of compliance, such executives will be subject to the 75% retention ratio, but will not be required to purchase additional shares to meet the applicable target.

Best practice provision III 8.4: *The majority of the members of the management board shall be non-executive directors and are independent within the meaning of best practice provision III.2.2.*

We refer to our explanation for the deviation under best practice provision III 2.1.

Best practice provision IV 1.1: *The general meeting of shareholders of a company not having statutory two tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.*

Our articles of association currently provide that our shareholders at a general meeting may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. We believe that this provision enhances the continuity of the board of directors, which we believe to be in the best interest of our stakeholders.

Deviation from article 2:166 of the Dutch Civil Code

On January 1, 2013 new legislation entered into force in the Netherlands as a consequence of which companies such as Tornier are required to strive for a balanced composition of its board of directors, to the effect that at least 30% of the positions on the board of directors are held by women and at least 30% by men. There is no legal sanction if the composition of a company's board is not balanced in accordance with this provision. However, in such case, the company must explain any non-compliance with the 30% criteria in its annual report. The explanation must include the reasons for non-compliance and the actions the company intends to take in order to comply in the future. These rules will expire on January 1, 2016, but may be extended prior to this date.

Only one of our current seven directors is female and thus less than 30% of our board members. Nonetheless, we believe that the composition of our board of directors has a broad diversity of experience, expertise and backgrounds, and that the backgrounds and qualifications of our directors, considered as a group, provide a significant mix of experience, knowledge, abilities and independence that we believe will allow our board of directors to fulfill its responsibilities and properly execute its duties. We are currently considering the steps to take in order to address this new legislation going forward.

Board of Directors

We have a one-tier board structure. Our articles of association provide that the number of members of our board of directors will be determined by our board of directors, provided that our board of directors shall be comprised of at least one executive director and two non-executive directors. Our board of directors currently consists of seven directors, one of whom is our executive director and six of whom are non-executive directors. The following table sets forth, as of December 28, 2014, certain information concerning our executive and non-executive directors.

Name	Age	Position
David H. Mowry	52	President and Chief Executive Officer and Executive Director
Sean D. Carney[(1)(2)(3)]	45	Chairman and Non-Executive Director
Kevin C. O'Boyle[(2)(3)(4)]	58	Non-Executive Director
Richard B. Emmitt[(3)(4)]	70	Non-Executive Director
Alain Tornier	68	Non-Executive Director
Richard F. Wallman[(1)(4)]	63	Non-Executive Director
Elizabeth H. Weatherman[(1)]	54	Non-Executive Director

(1) Member of the compensation committee.

(2) Member of the nominating, corporate governance and compliance committee.

(3) Member of the strategic transactions committee.

(4) Member of the audit committee.

The following is a biographical summary of the experience of our executive and non-executive directors:

David H. Mowry serves as Tornier's President and Chief Executive Officer, a position he has held since February 2013, and as Tornier's Executive Director, a position he has held since June 2013. Mr. Mowry joined Tornier in July 2011 as Chief Operating Officer, and in November 2012 was appointed Interim President and Chief Executive Officer. In February 2013, he was appointed President and Chief Executive Officer on a non-interim basis. He has over 24 years of experience in the medical device industry. Prior to joining Tornier, Mr. Mowry served from July 2010 to July 2011 as President of the Global Neurovascular Division of Covidien plc, a global provider of healthcare products. From January 2010 to July 2010, Mr. Mowry served as Senior Vice President and President, Worldwide Neurovascular of ev3 Inc., a global endovascular device company acquired by Covidien in July 2010. From August 2007 to January 2010, Mr. Mowry served as Senior Vice President of Worldwide Operations of ev3. Prior to this position, Mr. Mowry was Vice President of Operations for ev3 Neurovascular from November 2006 to October 2007. Before joining ev3, Mr. Mowry served as Vice President of Operations and Logistics at the Zimmer Spine division of Zimmer Holdings Inc., a reconstructive and spinal implants, trauma and

related orthopaedic surgical products company, from February 2002 to November 2006. Prior to Zimmer, Mr. Mowry was President and Chief Operating Officer of HeartStent Corp., a medical device company. Mr. Mowry is a graduate of the United States Military Academy in West Point, New York with a degree in Engineering and Mathematics. Mr. Mowry's qualifications to sit on the Tornier board of directors include his depth of knowledge of Tornier and its day-to-day operations in light of his position as President and Chief Executive Officer of Tornier.

Sean D. Carney is one of Tornier's non-executive directors and has served as a director since July 2006. Mr. Carney serves as Tornier's Chairman, a position he has held since May 2010. Mr. Carney was appointed as a director in connection with the securityholders' agreement that Tornier entered into with certain holders of Tornier ordinary shares. For more information regarding the securityholders' agreement, please refer to the discussion below under "*—Board Structure and Composition*." Since 1996, Mr. Carney has been employed by Warburg Pincus LLC and has served as a Member and Managing Director of Warburg Pincus LLC and General Partner of Warburg Pincus & Co. since January 2001. Warburg Pincus LLC and Warburg Pincus & Co. are part of the Warburg Pincus entities collectively referred to elsewhere in this report as Warburg Pincus, a principal shareholder that owns approximately 21.9% of outstanding Tornier ordinary shares as of February 10, 2015. He is also a member of the board of directors of MBIA Inc. and several private companies. During the past five years, Mr. Carney previously served on the board of directors of DexCom, Inc., a publicly held medical device company, Arch Capital Group Ltd., a publicly held company, and several privately held companies. Mr. Carney received a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Harvard College. Mr. Carney's substantial experience as an investor and director in medical device companies and his experience evaluating financial results have led the Tornier board of directors to the conclusion that he should serve as a director, Tornier's Chairman and Chair and a member of several of Tornier's board committees at this time in light of Tornier's business and structure..

Kevin C. O'Boyle is one of Tornier's non-executive directors and has served as a director since June 2010. In November 2012, Mr. O'Boyle was appointed as Interim Vice Chairman of Tornier, a position he held for about a year. From December 2010 to October 2011, Mr. O'Boyle served as Senior Vice President and Chief Financial Officer of Advanced BioHealing Inc., a medical device company which was acquired by Shire PLC in May 2011. From January 2003 until December 2009, Mr. O'Boyle served as the Chief Financial Officer of NuVasive, Inc., a medical device company that completed its initial public offering in May 2004. Prior to that time, Mr. O'Boyle served in various positions during his six years with ChromaVision Medical Systems, Inc., a publicly held medical device company specializing in the oncology market, including as its Chief Financial Officer and Chief Operating Officer. Mr. O'Boyle also held various positions during his seven years with Albert Fisher North America, Inc., a publicly held international food company, including Chief Financial Officer and Senior Vice President of Operations. Mr. O'Boyle currently serves on the board of directors of GenMark Diagnostics, Inc., ZELTIQ Aesthetics, Inc. and Sientra, Inc., all publicly held companies. During the past five years, Mr. O'Boyle previously served on the board of directors of Durata Therapeutics, Inc. Mr. O'Boyle received a Bachelor of Science in Accounting from the Rochester Institute of Technology and successfully completed the Executive Management Program at the University of California Los Angeles, John E. Anderson Graduate Business School. Mr. O'Boyle's executive experience in the healthcare industry, his experience with companies during their transition from being privately held to publicly held and his financial and accounting expertise have led the Tornier board of directors to the conclusion that Mr. O'Boyle should serve as a director, Chair of Tornier's strategic transactions committee and a member of Tornier's audit committee at this time in light of Tornier's business and structure.

Richard B. Emmitt is one of Tornier's non-executive directors and has served as a director since July 2006. Mr. Emmitt was initially appointed as one of three directors in connection with the securityholders' agreement that Tornier entered into with certain holders of Tornier ordinary shares. For more information regarding the securityholders' agreement, please refer to the discussion below under "—Board Structure and Composition." Mr. Emmitt served as a General Partner of The Vertical Group L.P., an investment management and venture capital firm focused on the medical device and biotechnology industries, from its inception in 1989 through December 2007. Commencing in January 2008, Mr. Emmitt has been a Member and Manager of The Vertical Group G.P., LLC, which controls The Vertical Group L.P. Mr. Emmitt currently serves on the board of directors of several privately held companies. During the past five years, Mr. Emmitt previously served on the board of directors of ev3 Inc. and American Medical Systems Holdings, Inc., both publicly held companies, and several privately held companies. In addition, prior to such five-year period, Mr. Emmitt served on the boards of directors of several publicly held companies, primarily in the medical device industry. Mr. Emmitt holds a Master of

Business Administration from the Rutgers School of Business and a Bachelor of Arts from Bucknell University. Mr. Emmitt's substantial experience as an investor and board member of numerous medical device companies ranging from development stage private companies to public companies with substantial revenues has led the Tornier board of directors to the conclusion that he should serve as a director and a member of Tornier's audit committee and strategic transactions committee at this time in light of Tornier's business and structure.

Alain Tornier is one of Tornier's non-executive directors and has served as a director since May 1976. Mr. Tornier assumed a leadership role in Tornier's predecessor entity in 1976, following the death of his father, René Tornier, founder of Tornier. Mr. Tornier later served as Tornier's President and Chief Executive Officer until the acquisition of Tornier by an investor group in September 2006, when he retired as an executive officer of Tornier. Mr. Tornier holds a Master of Sciences degree from Grenoble University. Mr. Tornier's significant experience in the global orthopaedics industry and deep understanding of Tornier's history and operations have led the Tornier board of directors to the conclusion that he should serve as a director at this time in light of Tornier's business and structure.

Richard F. Wallman is one of Tornier's non-executive directors and has served as a director since December 2008. From 1995 through his retirement in 2003, Mr. Wallman served as Senior Vice President and Chief Financial Officer of Honeywell International, Inc., a diversified technology company, and AlliedSignal, Inc., a diversified technology company (prior to its merger with Honeywell International, Inc.). Prior to joining AlliedSignal, Inc. as Chief Financial Officer, Mr. Wallman served as Controller of International Business Machines Corporation. In addition to serving as a director of Tornier, Mr. Wallman is also a member of the board of directors of Charles River Laboratories International, Inc., Convergys Corporation, Extended Stay America, Inc. and its wholly subsidiary ESH Hospitality, Inc., and Roper Industries, Inc., all publicly held companies. During the past five years, Mr. Wallman previously served on the board of directors of Ariba, Inc. as well as auto suppliers Dana Holding Corporation, Lear Corporation and Hayes Lemmerz International, Inc., all publicly held companies. Mr. Wallman also serves on the board of directors of Reddy Ice Holdings, Inc. and Accriva Diagnostics, both privately held companies. Mr. Wallman holds a Master of Business Administration from the University of Chicago Booth School of Business with concentrations in finance and accounting and a Bachelor of Science in Electrical Engineering from Vanderbilt University. Mr. Wallman's prior public company experience, including as Chief Financial Officer of Honeywell and his public company director experience, and his financial experience and expertise, have led the Tornier board of directors to the conclusion that he should serve as a director, Chair of Tornier's audit committee and a member of Tornier's compensation committee at this time in light of Tornier's business and structure.

Elizabeth H. Weatherman is one of Tornier's non-executive directors and has served as a director since July 2006. Ms. Weatherman was appointed as a director in connection with the securityholders' agreement that Tornier entered into with certain holders of Tornier ordinary shares. For more information regarding the securityholders' agreement, please refer to the discussion below under "—Board Structure and Composition." Ms. Weatherman is a General Partner of Warburg Pincus & Co., a Managing Director of Warburg Pincus LLC and a member of the firm's Executive Management Group. Ms. Weatherman joined Warburg Pincus in 1988 and primarily focused on the firm's healthcare investment activities. Warburg Pincus LLC and Warburg Pincus & Co. are part of the Warburg Pincus entities collectively referred to elsewhere in this report as Warburg Pincus, a principal shareholder that owns approximately 21.9% of outstanding Tornier ordinary shares as of February 10, 2015. Ms. Weatherman currently serves on the board of directors of several privately held companies. During the past five years, Ms. Weatherman previously served on the board of directors of ev3 Inc., a publicly held company, and several privately held companies. In addition, prior to such five-year period, Ms. Weatherman served on the boards of directors of several publicly held companies, primarily in the medical device industry. Ms. Weatherman earned a Master of Business Administration from the Stanford Graduate School of Business and a Bachelor of Arts from Mount Holyoke College. Ms. Weatherman's extensive experience as a director of public companies in the medical device industry has led the Tornier board of directors to the conclusion that she should serve as a director at this time in light of Tornier's business and structure.

We have a one-tier board structure. Tornier's articles of association provide that the number of members of the Tornier board of directors will be determined by the Tornier board of directors, provided that the Tornier board of directors shall be comprised of at least one executive director and two non-executive directors. The Tornier board

of directors currently consists of seven directors, one of whom is Tornier's executive director and six of whom are non-executive directors.

All of Tornier's non-executive directors, except Alain Tornier, are "independent directors" under the Listing Rules of the NASDAQ Global Select Stock Market. Therefore, the following five of Tornier's current seven directors are "independent directors" under the Listing Rules of the NASDAQ Global Select Stock Market: Sean D. Carney, Kevin C. O'Boyle, Richard B. Emmitt, Richard F. Wallman and Elizabeth H. Weatherman. Independence requirements for service on Tornier's audit committee are discussed below under "*—Board Committees—Audit Committee*" and independence requirements for service on Tornier's compensation committee are discussed below under "*—Board Committees—Compensation Committee*." Mr. Wallman and Mr. O'Boyle are independent under the independence definition in the Dutch Corporate Governance Code. Tornier currently complies with the NASDAQ corporate governance requirements, and Tornier can deviate from the Dutch Corporate Governance Code requirement that a majority of its directors be independent within the meaning of the Dutch Corporate Governance Code provided Tornier explains such deviation in its Dutch statutory annual report.

The Tornier board of directors and Tornier shareholders each have approved that the Tornier board of directors be divided into three classes, as nearly equal in number as possible, with each director serving a three-year term and one class being elected at each year's annual general meeting of shareholders. Messrs. Carney and Emmitt are in the class of directors whose term expires at the 2015 annual general meeting of the Tornier shareholders. Messrs. Mowry, O'Boyle and Wallman are in the class of directors whose term expires at the 2016 annual general meeting of the Tornier shareholders and Mr. Tornier and Ms. Weatherman are in the class of directors whose term expires at the 2017 annual general meeting of the Tornier shareholders. At each annual general meeting of the Tornier shareholders, successors to the class of directors whose term expires at such meeting will be elected to serve for three-year terms or until their respective successors are elected and qualified.

The general meeting of Tornier shareholders appoints the members of the Tornier board of directors, subject to a binding nomination of the Tornier board of directors in accordance with the relevant provisions of the Dutch Civil Code. The Tornier board of directors makes the binding nomination based on a recommendation of Tornier's nominating, corporate governance and compliance committee. If the list of candidates contains one candidate for each open position to be filled, such candidate shall be appointed by the general meeting of Tornier shareholders unless the binding nature of the nominations by the Tornier board of directors is set aside by the general meeting of the Tornier shareholders. The binding nature of nomination(s) by the Tornier board of directors can only be set aside by a vote of at least two-thirds of the votes cast at an annual or extraordinary general meeting of Tornier shareholders, provided such two-thirds vote constitutes more than one-half of Tornier's issued share capital. In such case, a new meeting is called at which the resolution for appointment of a member of the Tornier board of directors shall require a majority of at least two-thirds of the votes cast representing more than one-half of Tornier's issued share capital.

A resolution of the general meeting of the Tornier shareholders to suspend a member of the Tornier board of directors requires the affirmative vote of an absolute majority of the votes cast. A resolution of the general meeting of the Tornier shareholders to suspend or dismiss members of the Tornier board of directors, other than pursuant to a proposal by the Tornier board of directors, requires a majority of at least two-thirds of the votes cast, representing more than one-half of Tornier's issued share capital.

Pursuant to a securityholders' agreement among Tornier, TMG Holdings Coöperatief U.A., Vertical Fund I, L.P., Vertical Fund II, L.P., KCH Stockholm AB, Alain Tornier, Warburg Pincus (Bermuda) Private Equity IX, L.P. and certain other shareholders, TMG has the right to designate three directors to be nominated to the Tornier board of directors for so long as TMG beneficially owns at least 25% of the outstanding Tornier ordinary shares, two directors for so long as TMG beneficially owns at least 10% but less than 25% of the outstanding Tornier ordinary shares and one director for so long as TMG beneficially owns at least 5% but less than 10% of the outstanding Tornier ordinary shares. Tornier agreed to use its reasonable best efforts to cause the TMG designees to be elected. As of February 10, 2015, TMG beneficially owned 21.9% of the outstanding Tornier ordinary shares. Mr. Carney and Ms. Weatherman are the current Tornier directors who are designees of TMG.

Under Tornier's articles of association, Tornier's internal rules for the board of directors and Dutch law, the members of the Tornier board of directors are collectively responsible for the management, general and financial

affairs and policy and strategy of Tornier. Tornier's executive director historically has been Tornier's Chief Executive Officer, who is primarily responsible for managing Tornier's day-to-day affairs as well as other responsibilities that have been delegated to the executive director in accordance with Tornier's articles of association and Tornier's internal rules for the board of directors. Tornier's non-executive directors supervise Tornier's Chief Executive Officer and Tornier's general affairs and provide general advice to Tornier's Chief Executive Officer. In performing their duties, Tornier's directors are guided by the interests of Tornier and shall, within the boundaries set by relevant Dutch law, take into account the relevant interests of Tornier's stakeholders. The internal affairs of the board of directors are governed by Tornier's internal rules for the board of directors, a copy of which is available on the Investor Relations—Corporate Governance section of Tornier's corporate website at *www.tornier.com*.

Mr. Carney serves as Tornier's Chairman. The duties and responsibilities of the Chairman include, among others: determining the agenda and chairing the meetings of the Tornier board of directors, managing the Tornier board of directors to ensure that it operates effectively, ensuring that the members of the Tornier board of directors receive accurate, timely and clear information, encouraging active engagement by all the members of the Tornier board of directors, promoting effective relationships and open communication between non-executive directors and the executive director and monitoring effective implementation of Tornier board of directors decisions.

All regular meetings of the Tornier board of directors are scheduled to be held in the Netherlands. Each director has the right to cast one vote and may be represented at a meeting of the Tornier board of directors by a fellow director. The Tornier board of directors may pass resolutions only if a majority of the directors is present at the meeting and all resolutions must be passed by a majority of the directors that have no conflict of interest present or represented. However, as required by Dutch law, Tornier's articles of association provide that when one or more members of the Tornier board of directors is absent or prevented from acting, the remaining members of the Tornier board of directors will be entrusted with the management of Tornier. The intent of this provision is to satisfy certain requirements under Dutch law and provide that, in rare circumstances, when a director is incapacitated, severely ill or similarly absent or prevented from acting, the remaining members of the Tornier board of directors (or, in the event there are no such remaining members, a person appointed by the Tornier shareholders at a general meeting) will be entitled to act on behalf of the Tornier board of directors in the management of Tornier, notwithstanding the general requirement that otherwise requires a majority of the Tornier board of directors be present. In these limited circumstances, Tornier's articles of association permit the Tornier board of directors to pass resolutions even if a majority of the directors is not present at the meeting.

Subject to Dutch law and any director's objection, resolutions may be passed in writing by a majority of the directors in office. Under Dutch law, members of the board of directors may not participate in the deliberation and the decision-making process on a subject or transaction in relation to which he or she has a direct or indirect personal interest that conflicts with the interest of Tornier and its business enterprise. If all directors are conflicted and in the absence of a supervisory board, the resolution shall be adopted by the general meeting of shareholders, except if the articles of association prescribe otherwise. Tornier's articles of association provide that a director shall not take part in any vote on a subject or transaction in relation to which he or she has a direct or indirect personal interest that conflicts with the interest of Tornier and its business enterprise. In such event, the other directors shall be authorized to adopt the resolution. If all directors have a conflict of interest as mentioned above, the resolution shall be adopted by the non-executive directors.

Committees of the Board of Directors

Our board of directors has four standing board committees: an audit committee, a compensation committee, a nominating, corporate governance and compliance committee and a strategic transactions committee. Each of these committees has the responsibilities and composition described below. The Tornier board of directors has adopted a written charter for each committee of the Tornier board of directors, which charters are available on the Investor Relations—Corporate Governance section of Tornier's corporate website at *www.tornier.com*. The Tornier board of directors from time to time may establish other committees

Audit Committee. Our audit committee oversees a broad range of issues surrounding Tornier's accounting and financial reporting processes and audits of its financial statements. The primary responsibilities of the audit committee include:

- assisting the Tornier board of directors in monitoring the integrity of Tornier's financial statements, its compliance with legal and regulatory requirements insofar as they relate to its financial statements and financial reporting obligations and any accounting, internal accounting controls or auditing matters, its independent auditor's qualifications and independence and the performance of its internal audit function and independent auditors;

- appointing, compensating, retaining and overseeing the work of any independent registered public accounting firm engaged for the purpose of performing any audit, review or attest services and for dealing directly with any such accounting firm;

- providing a medium for consideration of matters relating to any audit issues;

- establishing procedures for the receipt, retention and treatment of complaints received by Tornier regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by its employees of concerns regarding questionable accounting or auditing matters; and

- reviewing and approving all related party transactions required to be disclosed under the federal securities laws.

The audit committee reviews and evaluates, at least annually, the performance of the audit committee and its members, including compliance of the committee with its charter.

The audit committee consists of Mr. Wallman (Chair), Mr. Emmitt and Mr. O'Boyle. Tornier believes that the composition of Tornier's audit committee complies with the applicable rules of the SEC and the NASDAQ Global Select Stock Market. The Tornier board of directors has determined that each of Mr. Wallman, Mr. Emmitt and Mr. O'Boyle is an "audit committee financial expert," as defined in the SEC rules, and satisfies the financial sophistication requirements of the NASDAQ Global Select Stock Market. The Tornier board of directors also has determined that each of Mr. Wallman, Mr. Emmitt and Mr. O'Boyle meets the more stringent independence requirements for audit committee members of Rule 10A-3(b)(1) under the Exchange Act and the Listing Rules of the NASDAQ Global Select Stock Market, and each of Mr. Wallman and Mr. O'Boyle is independent under the Dutch Corporate Governance Code.

Our audit committee met 10 times during the fiscal year 2014. In these meetings the following items were, among other things, discussed:

- the oversight of the work of our U.S. independent registered public accounting firm as well as our Dutch independent auditing firm, including the receipt and consideration of certain reports from the firm;
- the oversight of our internal control over financial reporting, disclosure controls and procedures;
- procedures for the receipt, retention and treatment of accounting related complaints and concerns; and
- all related party transactions.

Our audit committee met independently with our independent registered public accounting firm and management.

Compensation Committee. The primary responsibilities of Tornier's compensation committee, which are within the scope of the compensation policy adopted by the general meeting of the Tornier shareholders, include:

- reviewing and approving corporate goals and objectives relevant to the compensation of Tornier's Chief Executive Officer and other executive officers, evaluating the performance of these officers in light of those goals and objectives and setting compensation of these officers based on such evaluations;

- making recommendations to the Tornier board of directors with respect to incentive compensation and equity-based plans that are subject to board and shareholder approval, administering or overseeing all of Tornier's incentive compensation and equity-based plans, and discharging any responsibilities imposed on the committee by any of these plans;

- reviewing and discussing with management the "Compensation Discussion and Analysis" section of this report and based on such discussions, recommending to the Tornier board of directors whether the "Compensation Discussion and Analysis" section should be included in this report;

- approving, or recommending to the Tornier board of directors for approval, the compensation programs, and the payouts for all programs, applying to Tornier's non-executive directors, including reviewing the competitiveness of Tornier's non-executive director compensation programs and reviewing the terms to make sure they are consistent with the Tornier board of directors compensation policy adopted by the general meeting of the Tornier shareholders; and

- reviewing and discussing with Tornier's Chief Executive Officer and reporting periodically to the Tornier board of directors plans for development and corporate succession plans for Tornier's executive officers and other key employees.

The compensation committee reviews and evaluates, at least annually, the performance of the compensation committee and its members, including compliance of the committee with its charter.

The compensation committee consists of Mr. Carney (Chair), Mr. Wallman and Ms. Weatherman. Tornier believes that the composition of its compensation committee complies with the applicable rules of the SEC and the NASDAQ Global Select Stock Market. The Tornier board of directors has determined that each of Mr. Carney and Mr. Wallman and Ms. Weatherman meets the more stringent independence requirements for compensation committee members of Rule 10C-1 under the Exchange Act and the Listing Rules of the NASDAQ Global Select Stock Market. None of Tornier's executive officers has served as a member of the Tornier board of directors or compensation committee of any entity that has an executive officer serving as a member of the Tornier board of directors.

Our compensation committee met four times during the fiscal year 2014. In these meetings the following items were, among other things, discussed:

- review of our compensation philosophy and policies;
- review and approval of the goals and objectives of the CEO and other executive officers;
- review of the compensation of the CEO, the board of directors and the executive officers;
- the oversight of the administration of our equity compensation plans;
- the oversight of the administration of our bonus plans; and
- the oversight of our agreements with the CEO and other executive officers.

Nominating, Corporate Governance and Compliance Committee. The primary responsibilities of our nominating, corporate governance and compliance committee include:

- reviewing and making recommendations to the Tornier board of directors regarding the size and composition of the Tornier board of directors;

- identifying, reviewing and recommending nominees for election as directors;

- making recommendations to the Tornier board of directors regarding corporate governance matters and practices, including any revisions to Tornier's internal rules for the Tornier board of directors; and

- overseeing Tornier's compliance efforts with respect to its legal, regulatory and quality systems requirements and ethical programs, including its code of business conduct and ethics, other than with respect to matters relating to its financial statements and financial reporting obligations and any accounting, internal accounting controls or auditing matters, which are within the purview of the audit committee.

The nominating, corporate governance and compliance committee reviews and evaluates, at least annually, the performance of the nominating, corporate governance and compliance committee and its members, including compliance of the committee with its charter.

The nominating, corporate governance and compliance committee has the sole authority to select, retain, oversee and terminate its own counsel, consultants and advisors and approve the fees and other retention terms of such counsel, consultants and advisors, as it deems appropriate.

The nominating, corporate governance and compliance committee consists of Mr. Carney (Chair) and Mr. O'Boyle.

The nominating, corporate governance and compliance committee considers all candidates recommended by Tornier shareholders pursuant to those specific minimum qualifications that the nominating, corporate governance and compliance committee believes must be met by a recommended nominee for a position on the Tornier board of directors, which qualifications are described in the nominating, corporate governance and compliance committee's charter, a copy of which is available on the Investor Relations—Corporate Governance section of our corporate website *www.tornier.com*. Tornier has made no material changes to the procedures by which Tornier shareholders may recommend nominees to the Tornier board of directors as described in Tornier's most recent proxy statement.

Our nominating, corporate governance and compliance committee met four times during the fiscal year 2014. In these meetings the following items were, among other things, discussed:

- the qualification and nominations of director candidates;
- the oversight and review of the annual self-assessments process;
- review of the overall effectiveness of the board of directors;
- review of our corporate governance; and
- the oversight and review of our Code of Business Conduct and Ethics.

Strategic Transactions Committee. The primary responsibilities of our strategic transactions committee include:

- reviewing and evaluating potential opportunities for strategic business combinations, acquisitions, mergers, dispositions, divestitures, investments and similar strategic transactions involving Tornier or any one or more of its subsidiaries outside the ordinary course of its business that may arise from time to time;

- approving on behalf of the Tornier board of directors any strategic transaction that may arise from time to time and is deemed appropriate by the strategic transactions committee and involves total cash consideration of less than $5.0 million; provided, however, that the strategic transactions committee is not authorized to approve any strategic transaction involving the issuance of capital stock or in which any director, officer or affiliate of Tornier has a material interest;

- making recommendations to the Tornier board of directors concerning approval of any strategic transactions that may arise from time to time and are deemed appropriate by the strategic transactions committee and are beyond the authority of the strategic transactions committee to approve;

- reviewing integration efforts with respect to completed strategic transactions from time to time and making recommendations to management and the Tornier board of directors, as appropriate;

- assisting management in developing, implementing and adhering to a strategic plan and direction for its activities with respect to strategic transactions and making recommendations to management and the Tornier board of directors, as appropriate; and

- reviewing and evaluating potential opportunities for restructuring its business in response to completed strategic transactions or otherwise in an effort to realize anticipated cost and expense savings for, and other benefits, to Tornier and making recommendations to management and the Tornier board of directors, as appropriate.

The strategic transactions committee reviews and evaluates periodically the performance of the committee and its members, including compliance of the committee with its charter.

The strategic transactions committee consists of Mr. O'Boyle (Chair), Mr. Carney and Mr. Emmitt.

Our strategic transactions committee met four times during the fiscal year 2014. In these meetings the following items were, among other things, discussed:

- review of merger with Wright Medical
- continuing efforts to integrate OrthoHelix and its operations, including restructuring activities related to the move and consolidation of various business operations of OrthoHelix from Medina, Ohio to Bloomington, Minnesota, including customer service, quality, supply chain and finance functions;
- review, and in some cases, approval of distributor and independent sales agency acquisitions; and
- review of our annual operating and strategic plan.

Our board of directors may from time to time establish other committees.

Conflict of Interest

Directors must report and provide all relevant information regarding any potential conflict of interests to the Chairman of the board of directors or, in the case of a conflict of interests of the Chairman of the board of directors, to the deputy Chairman of the board of directors. The board of directors decides, without the relevant member being present, whether a conflict of interests exists. A member of the board of directors shall not take part in any discussions or decision making that involves a subject or a transaction in relation to which such member has a conflict of interests with our Company. Such transactions are disclosed in the annual report. No such conflicts of interests occurred during 2014.

General Meeting

Functioning General Meetings of Shareholders

Each shareholder has a right to attend general meetings, either in person or by proxy, and to exercise voting rights in accordance with the provisions of our articles of association. We must hold at least one general meeting each year. This meeting must be convened at one of three specified locations in The Netherlands (Amsterdam, Haarlemmermeer (Schiphol airport) and Schiedam) within six months after the end of our fiscal year. Our board of directors may convene additional general meetings as often as they deem necessary. Pursuant to Dutch law, one or more shareholders representing at least 10% of our issued share capital may request the Dutch courts to order that a

general meeting be held. Dutch law does not restrict the rights of holders of ordinary shares who do not reside in The Netherlands from holding or voting their shares.

We will give notice of each meeting of shareholders by publication on our website and in any other manner that we may be required to follow in order to comply with applicable stock exchange and SEC requirements. We will give notice no later than the fifteenth day prior to the day of the meeting. As deemed necessary by the board of directors, either the notice will include or be accompanied by an agenda identifying the business to be considered at the meeting. Shareholders representing at least 3% of the issued share capital have the right to request the inclusion of additional items on the agenda of shareholder meetings, provided that such request is received by us no later than 60 days before the day the relevant shareholder meeting is held. Our board of directors may decide that shareholders are entitled to participate in, to address and to vote in the general meeting by way of an electronic means of communication, in person or by proxy, provided the shareholder may by the electronic means of communication be identified, directly take notice of the discussion in the meeting and participate in the deliberations. Our board of directors may adopt a resolution containing conditions for the use of electronic means of communication in writing. If our board of directors has adopted such regulations, they will be disclosed with the notice of the meeting as provided to shareholders.

Voting Rights

Each share is entitled to one vote. Voting rights may be exercised by shareholders registered in our share register or by a duly appointed proxy of a registered shareholder, which proxy need not be a shareholder. Our articles of association do not limit the number of registered shares that may be voted by a single shareholder. Treasury shares, whether owned by us or one of our majority-owned subsidiaries, will not be entitled to vote at general meetings. Resolutions of the general meeting are adopted by a simple majority of votes cast, except as described in the following two paragraphs.

Matters requiring a majority of at least two-thirds of the votes cast, which votes also represent more than 50% of our issued share capital include, among others:

- a resolution to cancel a binding nomination for the appointment of members of the board of directors;
- a resolution to appoint members of the board of directors, if the board of directors fails to use its right to submit a binding nomination, or if the binding nomination is set aside; and
- a resolution to dismiss or suspend members of the board of directors other than pursuant to a proposal by the board of directors.

Matters requiring a majority of at least two-thirds of the votes cast, if less than 50% of our issued share capital is represented include, among others:

- a resolution of the general meeting regarding restricting and excluding pre-emptive rights, or decisions to designate the board of directors as the body authorized to exclude or restrict pre-emptive rights;
- a resolution of the general meeting to reduce our outstanding share capital; and
- a resolution of the general meeting to have us merge or demerge.

Quorum for General Meetings

Under our articles of association, holders of at least one-third of the outstanding shares must be represented at a meeting to constitute a quorum.

Amendment of the Articles of Association

The general meeting of shareholders can resolve to amend the articles of association of the company, only upon a proposal by the board of directors. A resolution of the general meeting of shareholders requires an absolute majority of votes cast. The complete proposals should be made available for inspection by the shareholders at the

office of the company to the general meeting of shareholders, as from the date of said notice until the close of that meeting.

Capital Structure

The company's authorized capital amounts to five million two hundred and fifty thousand Euro (EUR 5,250,000) and is divided into one hundred and seventy-five million (175,000,000) ordinary shares, each share with a par value of three Euro cents (EUR 0.03).

Issuance of Ordinary Shares

We may issue ordinary shares subject to the maximum prescribed by our authorized share capital contained in our articles of association. Our board of directors has the power to issue ordinary shares if and to the extent that the general meeting has designated to the board of directors such authority. A designation of authority to the board of directors to issue ordinary shares remains effective for the period specified by the general meeting and may be up to five years from the date of designation. The general meeting may renew this designation annually. Without this designation, only the general meeting has the power to authorize the issuance of ordinary shares. Our board of directors is authorized to issue ordinary shares until 26 August, 2015 under the restrictions specified in our articles of association.

In connection with the issuance of ordinary shares, at least the nominal value must be paid for such shares. No obligation other than to pay up to the nominal amount of a share may be imposed upon a shareholder against the shareholder's will, by amendment of the articles of association or otherwise. Subject to Dutch law, payment for shares must be in cash to the extent no other contribution has been agreed and may be made in the currency approved by us.

Any increase in the number of authorized ordinary shares would require the approval of an amendment to our articles of association in order to effect such increase. Such amendment would need to be made by a proposal of the board of directors and adoption by the shareholders at a general meeting by a majority vote.

Pre-emptive Rights

Shareholders have a ratable pre-emptive right to subscribe for ordinary shares that we issue for cash unless the general meeting, or its designee, which in our case is our board of directors, limits or eliminates this right. Our shareholders have no ratable pre-emptive subscription right with respect to ordinary shares issued (1) for consideration other than cash, (2) to our employees or the employees of our group of companies or (3) to a party exercising a previously obtained right to acquire shares.

The right of our shareholders to subscribe for ordinary shares pursuant to this pre-emptive right may be eliminated or limited by the general meeting. If the general meeting delegates its authority to the board of directors for this purpose, then the board of directors will have the power to limit or eliminate the pre-emptive rights of holders of ordinary shares. Such a proposal requires the approval of at least two-thirds of the votes cast by shareholders at a general meeting where less than half of the issued share capital is represented or a majority of the votes cast at the general meeting where more than half of the share capital is represented. Designations of authority to the board of directors may remain in effect for up to five years and may be renewed for additional periods of up to five years.

Our board of directors is authorized to limit or eliminate the pre-emptive rights of holders of ordinary shares until 26 August, 2015.

Repurchases of Our Ordinary Shares

We may acquire ordinary shares, subject to applicable provisions of Dutch law and our articles of association, to the extent:

- our shareholders' equity, less the amount to be paid for the ordinary shares to be acquired, exceeds the sum of (i) our share capital account plus (ii) any reserves required to be maintained by Dutch law or our articles of association; and
- after the acquisition of ordinary shares, we and our subsidiaries would not hold, or hold as pledges, ordinary shares having an aggregate nominal value that exceeds 50% of our issued share capital.

Our board of directors may repurchase ordinary shares only if our shareholders have authorized the board of directors to do so. Our board of directors is currently authorized to repurchase the maximum permissible amount of ordinary shares on the NASDAQ Global Market during the 18-month period ending in 26 December, 2015, the maximum initial term under Dutch law, at prices between an amount equal to the nominal value of the ordinary shares and an amount equal to 110% of the market price of the ordinary shares on the NASDAQ Global Market. The authorization is not required for the acquisition of our ordinary shares listed on the NASDAQ Global Market for the purpose of transferring the shares to employees under our equity incentive plans.

Capital Reductions; Cancellation

Upon a proposal of the board of directors, at a general meeting, our shareholders may vote to reduce our issued share capital by cancelling shares held by us in treasury or by reducing the nominal value of the shares by amendment to our articles of association. In either case, this reduction would be subject to applicable statutory provisions. In order to be approved, a resolution to reduce the capital requires approval of a majority of the votes cast at a meeting if at least half the issued capital is represented at the meeting or at least two-thirds of the votes cast at the meeting if less than half of the issued capital is represented at the meeting.

A resolution that would result in the reduction of capital requires prior or simultaneous approval of the meeting of each group of holders of shares of the same class whose rights are prejudiced by the reduction. A resolution to reduce capital requires notice to our creditors who have the right to object to the reduction in capital under specified circumstances.

Adoption of Financial Statements and Discharge of Management Liability

Our board of directors must prepare financial statements within five months after the end of our financial year, unless the shareholders have approved an extension of this period for up to six additional months due to certain special circumstances. The financial statements must be accompanied by an auditor's certificate, a board of directors report and certain other mandatory information and must be made available for inspection by our shareholders at our offices within the same period. Under Dutch law, our shareholders must approve the appointment and removal of our independent auditors, as referred to in Article 2:393 Dutch Civil Code, to audit the financial statements. The financial statements are adopted by our shareholders at the general meeting and will be prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The adoption of the financial statements by our shareholders does not release the members of our board of directors from liability for acts reflected in those documents. Any such release from liability requires a separate shareholders' resolution and shall be voted on separately in the general meeting.

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth certain information concerning the beneficial ownership of our ordinary shares as of February 10, 2015, by:

- each of our directors and named executive officers;
- all of our current directors and executive officers as a group; and
- each person known by us to beneficially own more than 5% of our ordinary shares.

The calculations in the table below assume that there are 48,978,794 ordinary shares outstanding. Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of ordinary shares beneficially owned by a person and the percentage ownership of that person, we have included ordinary shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right, the conversion of any other security and the issuance of ordinary shares upon the vesting of stock awards granted in the form of restricted stock units. The ordinary shares that a shareholder has the right to acquire within 60 days, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary shares beneficially owned [1]	
	Number	**Percent**
Directors and named executive officers:		
David H. Mowry	107,608	*
Shawn T McCormick	48,793	*
Terry M. Rich	78,934	*
Kevin M. Klemz	133,449	—
Gregory Morrison	130,588	*
Sean D. Carney[2]	10,758,594	22.0%
Richard B. Emmitt[3]	81,048	*
Kevin C. O'Boyle	72,560	*
Alain Tornier[4]	1,790,044	3.7%
Richard F. Wallman	109,508	*
Elizabeth H. Weatherman[5]	10,749,777	21.9%
All directors and executive officers as a group (13 persons)	13,509,771	27.2%
Principal shareholders:		
Warburg Pincus Entities (TMG Holdings Coöperatief U.A.)[6]	10,721,809	21.9%
T. Rowe Price Associates, Inc.[7]	5,205,599	10.6%
FMR LLC.[8]	3,258,997	6.7%
Bridger Management LLC.[8][9]	2,699,052	5.5%

* Represents beneficial ownership of less than 1% of our outstanding ordinary shares.

(1) Includes for the persons listed below the following ordinary shares subject to options held by that person that are currently exercisable or become exercisable within 60 days of February 10, 2015 and ordinary shares issuable upon the vesting of stock awards granted in the form of restricted stock units within 60 days of February 10, 2015:

Name	Options	Stock awards in the form of restricted stock units
David H. Mowry	88,660	—
Shawn T McCormick	36,682	—

Name	Options	Stock awards in the form of restricted stock units
Terry M. Rich	60,958	—
Kevin M. Klemz	117,800	—
Gregory Morrison	115,408	—
Sean D. Carney	15,867	1,309
Richard B. Emmitt	15,867	600
Kevin C. O'Boyle	65,867	—
Alain Tornier	15,867	436
Richard F. Wallman	50,242	—
Elizabeth H. Weatherman	15,867	491
All directors and executive officers as a group (13 persons)	751,291	2,836

(2) Includes 10,721,809 Tornier ordinary shares held by affiliates of Warburg Pincus & Co. Mr. Carney is a Partner of Warburg Pincus & Co. and a Member and a Managing Director of Warburg Pincus LLC. All Tornier ordinary shares indicated as owned by Mr. Carney are included because of his affiliation with the Warburg Pincus Entities (as defined below). See note (6) below. Mr. Carney disclaims beneficial ownership of all securities that may be deemed to be beneficially owned by the Warburg Pincus Entities, except to the extent of any pecuniary interest therein. Mr. Carney's address is c/o Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017.

(3) Includes: (i) 15,708 shares held in Mr. Emmitt's IRA account, (ii) 564 shares held by Mr. Emmitt's spouse, and (iii) 44 shares held by an IRA account of Mr. Emmitt's spouse.

(4) Includes 1,762,792 Tornier ordinary shares held by KCH Oslo AS (KCH Oslo). KCH Stockholm AB wholly owns KCH Oslo, and Mr. Tornier wholly owns KCH Stockholm AB. All Tornier ordinary shares indicated as owned by Mr. Tornier are included because of his affiliation with these entities.

(5) Includes 10,721,809 Tornier ordinary shares held by affiliates of Warburg Pincus & Co. Ms. Weatherman is a Partner of Warburg Pincus & Co. and a Member and a Managing Director of Warburg Pincus LLC. All Tornier ordinary shares indicated as owned by Ms. Weatherman are included because of her affiliation with the Warburg Pincus Entities. See note (6) below. Ms. Weatherman disclaims beneficial ownership of all securities that may be deemed to be beneficially owned by the Warburg Pincus Entities, except to the extent of any pecuniary interest therein. Ms. Weatherman's address is c/o Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017.

(6) Reflects Tornier ordinary shares held by TMG Holdings Coöperatief U.A., a Dutch coöperatief (TMG). TMG is wholly-owned by Warburg Pincus (Bermuda) Private Equity IX, L.P., a Bermuda limited partnership (WP Bermuda IX), and WP (Bermuda) IX PE One Ltd., a Bermuda company (WPIX PE One). The general partner of WP Bermuda IX is Warburg Pincus (Bermuda) Private Equity Ltd., a Bermuda company (WP Bermuda Ltd.). WP Bermuda IX is managed by Warburg Pincus LLC, a New York limited liability company (WP LLC, and together with WP Bermuda IX, WPIX PE One and WP Bermuda Ltd., the Warburg Pincus Entities). Charles R. Kaye and Joseph P. Landy are the Managing General Partners of Warburg Pincus & Co., a New York general partnership (WP), and Managing Members and Co-Chief Executive Officers of WP LLC and may be deemed to control the Warburg Pincus Entities. Each of the Warburg Pincus Entities, Mr. Kaye and Mr. Landy has shared voting and investment control of all of the Tornier ordinary shares referenced above. By reason of the provisions of Rule 16a-1 of the Securities Exchange Act of 1934, as amended, Mr. Kaye, Mr. Landy and the Warburg Pincus Entities may be deemed to be the beneficial owners of the Tornier ordinary shares held by TMG. Each of Mr. Kaye, Mr. Landy and the Warburg Pincus Entities disclaims beneficial ownership of the Tornier ordinary shares referenced above except to the extent of any pecuniary interest therein. The address of the Warburg Pincus entities is 450 Lexington Avenue, New York, New York 10017.

(7) Based solely on information contained in a Schedule 13G/A of T. Rowe Price Associates, Inc., an investment advisor, filed with the SEC on February 11, 2015, reflecting beneficial ownership as of

December 31, 2014, with sole investment discretion with respect to all such shares, and sole voting authority with respect to 604,700 shares. The address of T. Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202.

(8) Based solely on information contained in a Schedule 13G of FMR LLC, an investment advisor, filed with the SEC on February 13, 2015, reflecting beneficial ownership as of December 31, 2014, with sole investment discretion with respect to all such shares and sole voting authority with respect to 197 shares. Edward C. Johnson 3d is a Director and the Chairman of FMR LLC and Abigail P. Johnson is a Director, the Vice Chairman and the President of FMR LLC. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR. Neither FMR nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co"), a wholly owned subsidiary of FMR, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Co carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(9) Based solely on information contained in a Schedule 13G of Bridger Management LLC, an investment advisor, filed with the SEC on August 18, 2014, reflecting beneficial ownership as of August 18, 2014, with shared investment discretion and voting authority with respect to all such shares. Swiftcurrent Offshore Master Ltd., Swiftcurrent Partners L.P., and Bridger Healthcare Ltd. are the owners of record of the ordinary shares reported therein. Each of Swiftcurrent Offshore Master Ltd., Swiftcurrent Partners L.P. and Bridger Healthcare Ltd. has beneficial ownership of less than 5% of the ordinary Wright shares. Bridger Management LLC is the investment adviser to Swiftcurrent Offshore Master Ltd., Swiftcurrent Partners L.P. and Bridger Healthcare Ltd. Mr. Mignone is the managing member of Bridger Management, LLC. Each of Bridger Management LLC and Mr. Mignone may be deemed to share beneficial ownership of the ordinary shares reported herein. The address of Bridger Management LLC is 90 Park Avenue, 40th Floor, New York, NY 10016.

Certain Relationships and Related Transactions

We describe below transactions that have occurred since the beginning of our last fiscal year, or any currently proposed transactions, to which we were or are a participant and in which:

- the amounts involved exceeded or will exceed $120,000; and
- a related person (including any director, director nominee, executive officer, holder of more than 5% of Tornier ordinary shares or any member of their immediate family) had or will have a direct or indirect material interest.

We refer to these transactions as "related party transactions." As provided in our audit committee charter, all related party transactions are to be reviewed and pre-approved by Tornier's audit committee. In determining whether to approve a related party transaction, the audit committee generally will evaluate the transaction in terms of (i) the benefits to Tornier; (ii) the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; (iii) the availability of other sources for comparable products or services; (iv) the terms and conditions of the transaction; and (v) the terms available to unrelated third parties or to employees generally. The audit committee will then document its findings and conclusions in written minutes. In the event a transaction relates to a member of Tornier's audit committee, that member will not participate in the audit committee's deliberations.

The following persons and entities that participated in the transactions described in this section were related persons at the time of the transaction:

Alain Tornier and Related Entities. Alain Tornier is a member of the Tornier board of directors. Mr. Tornier wholly owns KCH Stockholm AB, which wholly owns KCH Oslo AS, which holds approximately 3.7% of outstanding Tornier ordinary shares as of February 10, 2015.

TMG Holdings Coöperatief U.A., Warburg Pincus (Bermuda) Private Equity IX, L.P., Sean D. Carney and Elizabeth H. Weatherman. TMG Holdings Coöperatief U.A. holds approximately 21.9% of outstanding Tornier ordinary shares as of February 10, 2015. Tornier's directors, Sean D. Carney and Elizabeth H. Weatherman, are Managing Directors of Warburg Pincus LLC, which manages TMG as well as its parent entities Warburg Pincus (Bermuda) Private Equity IX, L.P., or WP Bermuda, WP (Bermuda) IX PE One Ltd. and Warburg Pincus (Bermuda) Private Equity Ltd. ("WPPE"). Furthermore, Mr. Carney and Ms. Weatherman are Partners of Warburg Pincus & Co., the sole member of WPPE.

Vertical Fund I, L.P., Vertical Fund II, L.P. and Richard B. Emmitt. Richard B. Emmitt, a member of the Tornier board of directors, is a Member and Manager of The Vertical Group, L.P., which is the sole general partner of each of Vertical Fund I, L.P. and Vertical Fund II, L.P. Mr. Emmitt is also a Member and Manager of The Vertical Group GP, LLC, which controls The Vertical Group, L.P. Although Vertical Fund I, L.P. and Vertical Fund II, L.P. were shareholders of Tornier as of the time of the transactions described below, neither Vertical Fund I, L.P. nor Vertical Fund II, L.P. currently owns any Tornier ordinary shares.

Tornier is party to a securityholders' agreement with certain of the Tornier shareholders, including TMG, WP Bermuda, Vertical Fund I, L.P., Vertical Fund II, L.P., KCH Stockholm AB and Mr. Tornier. Under director nomination provisions of this agreement, TMG has the right to designate three directors to be nominated to the Tornier board of directors for so long as TMG beneficially owns at least 25% of outstanding Tornier ordinary shares, two directors for so long as TMG beneficially owns at least 10% but less than 25% of outstanding Tornier ordinary shares and one director for so long as TMG beneficially owns at least 5% but less than 10% of outstanding Tornier ordinary shares. Tornier agreed to use its reasonable best efforts to cause the TMG designees to be elected as directors. TMG holds approximately 21.9% of outstanding Tornier ordinary shares as of February 10, 2015. Mr. Carney and Ms. Weatherman are the current directors who are designees of TMG. The securityholders' agreement terminates upon the written consent of all parties to the agreement.

Tornier is party to a registration rights agreement with certain of its shareholders, including entities affiliated with certain of Tornier's directors, including TMG, Vertical Fund I, L.P., Vertical Fund II, L.P. and KCH Stockholm AB. Pursuant to the registration rights agreement, Tornier has agreed to (i) use its reasonable best efforts to effect up to three registered offerings of at least $10 million each upon a demand of TMG or its affiliates and one registered offering of at least $10 million upon a demand of Vertical Fund I, L.P. or Vertical Fund II, L.P., (ii) use its reasonable best efforts to become eligible for use of Form S-3 for registration statements and once Tornier become eligible TMG or its affiliates shall have the right to demand an unlimited number of registrations of at least $10 million each on Form S-3 and (iii) maintain the effectiveness of each such registration statement for a period of 120 days or until the distribution of the registrable securities pursuant to the registration statement is complete. Tornier has also granted certain incidental or "piggyback" registration rights with respect to the registrable shares, subject to certain limitations and restrictions, including volume and marketing restrictions imposed by the underwriters of the offering with respect to which the rights are exercised. Under the registration rights agreement, Tornier has agreed to bear the expenses, including the fees and disbursements of one legal counsel for the holders, in connection with the registration of the registrable securities, except for any underwriting commissions relating to the sale of the registrable securities.

On February 28, 2014, Tornier completed an underwritten secondary public offering of Tornier ordinary shares pursuant to which TMG participated and sold an aggregate of 5,125,000 ordinary shares to the underwriter at a per share price of $18.94. Pursuant to the terms of the registration rights agreement described above, Tornier paid substantially all of the expenses in connection with the offering, other than underwriting commissions, which expenses equaled approximately $320,000.

On February 9, 2007, Tornier signed an exclusive, worldwide license and supply agreement with Tepha for its poly-4-hydroxybutyrate polymer for a license fee of $110,000, plus an additional $750,000 as consideration for certain research and development. Tepha is further entitled to royalties of up to 5% of sales under these licenses. Tornier amended this agreement in December 2011 to include certain additional rights and an option to license additional products. Tornier paid $0.1 million of minimum royalty payments during 2014 to Tepha under the terms of this agreement. Additionally, Tornier made payments of $0.2 million during 2014 related to the purchase of materials. Vertical Fund I, L.P. and Vertical Fund II, L.P. in the aggregate own approximately 15% of Tepha's outstanding common and preferred stock. In addition, Mr. Emmitt serves on the Tepha board of directors.

On January 22, 2008, Tornier signed an agreement with BioSET to develop, commercialize and distribute products incorporating BioSET's F2A synthetic growth factor technology in the field of orthopaedic and podiatric soft tissue repair. As amended on February 10, 2010, this agreement granted Tornier an option to purchase an exclusive, worldwide license for such products in consideration for a payment of $1.0 million. Tornier exercised this option on February 10, 2010. Upon FDA approval of certain products, an additional $2.5 million will become due. BioSET is entitled to royalties of up to 6% for sales of products under this agreement. Tornier has not accrued or paid any royalties under the terms of this agreement. Vertical Fund I, L.P. and Vertical Fund II, L.P. in the aggregate own approximately 20% of BioSET's outstanding capital stock.

On July 29, 2008, Tornier formed a real estate holding company, SCI Calyx, together with Mr. Tornier. SCI Calyx is owned 51% by Tornier and 49% by Mr. Tornier. SCI Calyx was initially capitalized by a contribution of capital of €10,000 funded 51% by Tornier and 49% by Mr. Tornier. SCI Calyx then acquired a combined manufacturing and office facility in Montbonnot, France, for approximately $6.1 million. The manufacturing and office facility is used to support the manufacture of certain of Tornier's current products and house certain of Tornier's operations in Montbonnot, France. This real estate purchase was funded through mortgage borrowings of $4.1 million and $2.0 million cash borrowed from the two current shareholders of SCI Calyx. The $2.0 million cash borrowed from the SCI Calyx shareholders originally consisted of a $1.0 million note due to Mr. Tornier and a $1.0 million note due to Tornier SAS, which is Tornier's wholly-owned French operating subsidiary. Both of the notes issued by SCI Calyx bear interest at the three-month Euro Libor rate plus 0.5% and have no stated term. During 2010, SCI Calyx borrowed approximately $1.4 million from Mr. Tornier in order to fund on-going leasehold improvements necessary to prepare the Montbonnot facility for its intended use. This cash was borrowed under the same terms as the original notes. As of December 28, 2014, SCI Calyx had related-party debt outstanding to Mr. Tornier of $2.2 million. The SCI Calyx entity is consolidated by Tornier, and the related real estate and liabilities are included in Tornier's consolidated balance sheets. On September 3, 2008, Tornier SAS, Tornier's French operating subsidiary, entered into a lease agreement with SCI Calyx relating to these facilities. The agreement, which terminates in 2018, provides for an annual rent payment of €440,000, which has subsequently been increased and is currently €959,712. As of December 28, 2014, future minimum payments under this lease were €4.6 million in the aggregate.

On December 29, 2007, Tornier SAS entered into a lease agreement with Mr. Tornier and his spouse, relating to Tornier's museum in Saint Villa, France. The agreement provides for a term through May 30, 2015 and an initial annual rent payment of €28,500, which was subsequently decreased to €14,602. On December 29, 2007, Tornier SAS entered into a lease agreement with Animus SCI, relating to Tornier's facilities in Montbonnot Saint Martin, France. On August 18, 2012, the parties amended the lease agreement to extend the term until May 31, 2022 and reduce the annual rent. The amended agreement provides for an initial annual rent payment of €279,506 annually, which was subsequently increased to €295,034. Animus SCI is wholly-owned by Mr. Tornier. On February 6, 2008, Tornier SAS entered into a lease agreement with Balux SCI, effective as of May 22, 2006, relating to Tornier's facilities in Montbonnot Saint Martin, France. On August 18, 2012, the parties amended the lease agreement to extend the term until May 31, 2022 and reduce the annual rent. The amended agreement provides for an initial annual rent payment of €252,254, which was subsequently increased to €560,756 Balux SCI is wholly-owned by Mr. Tornier and his sister, Colette Tornier. As of December 28, 2014, future minimum payments under all of these agreements were €8.1 million in the aggregate.

In Control Statement (Dutch Code)

To help identify risks, we use a formal risk management approach, consisting of a set of risks definitions which are discussed amongst our senior management. Based on this risk assessment, actions are initiated to further enhance our risk mitigation. The establishment of our internal control and risk management systems is based on the identification of external and internal risk factors that could influence our operational and financial objectives and contains a system of monitoring, reporting and operational reviews. Therefore, as the board of directors, we hereby state that the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the management and control systems worked properly in the fiscal year ended December 28, 2014.

Mandatory Statement within the meaning of the Governmental Decree of 20 March 2009 on Corporate Governance

According to the Governmental Decree of 20 March 2009 Tornier has to publish a statement on corporate governance (the "Corporate Governance Statement"). The Corporate Governance Statement has to report on compliance with the Dutch Code. In addition, the Corporate Governance Statement must provide information on the functioning of the general meeting of shareholders including its main rights and on the composition of the board of directors, including its committees.

The Corporate Governance Statement must also describe the main characteristics of the internal risk management and control systems connected to the company's financial reporting process. The board of directors states that the aforementioned information is included in this report beginning on page 50 through page 67.

Amsterdam, May 6, 2015

PART II

CONSOLIDATED FINANCIAL STATEMENTS

A. CONSOLIDATED BALANCE SHEET

(in thousands of USD, after appropriation of result)

	December 28, 2014	December 29, 2013
ASSETS		
Fixed assets		
Intangible (Note 3)	$ 288,482	$ 335,303
Tangible (Note 4)	107,550	106,549
Total fixed assets	$ 396,032	$ 441,852
Current assets		
Inventories (Note 5)	$ 88,662	$ 87,010
Receivables (Note 6)	90,685	79,104
Cash (Note 7)	27,852	56,696
Total current assets	$ 207,199	$ 222,810
Total assets	$ 603,231	$ 664,662
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity (Note 8)		
Share capital	$ 1,796	$ 1,901
Additional paid-in capital	786,240	772,370
Legal reserves	20,008	49,935
Accumulated losses	(385,651)	(340,928)
Total shareholders' equity	$ 422,393	483,278
Provisions (Note 10)	25,758	39,172
Long-term liabilities (Note 11)	72,617	72,337
Current liabilities (Note 12)	82,463	69,875
Total liabilities and shareholders' equity	$ 603,231	$ 664,662

B. CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands of USD)

	December 28, 2014	December 29, 2013
Revenue (Note 17)	$ 344,952	$ 310,959
Cost of goods sold	(83,490)	(86,209)
Gross profit	261,462	224,750
Operating expenses		
Selling and marketing expenses	(202,153)	(173,617)
General and administrative expenses	(101,044)	(94,656)
Total operating expenses	(303,197)	(268,273)
Operating loss	(41,735)	(43,523)
Interest expense (Note 18)	(5,183)	(7,011)
Other expense (Note 18)	(1,325)	(6,692)
Loss from ordinary activities	(48,243)	(57,226)
Income tax benefit/(charge) on loss (Note 14)	1,684	(6,935)
Loss after taxation	$ (46,559)	$ (64,161)
Consolidated statement of comprehensive loss		
Loss after taxation	$ (46,559)	$ (64,161)
Unrealised gain (loss) on retirement plans	(1,430)	95
Foreign currency translation	(28,215)	16,504
Total comprehensive loss for the year	$ (76,204)	$ (47,562)

C. CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of USD)

	December 28, 2014	December 29, 2013
Cash flows from operating activities:		
Net loss	(46,559)	(64,161)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	61,756	62,165
Foreign currency gain (loss)	1,087	1,829
Deferred income taxes	(6,852)	8,152
Tax benefit from reversal of valuation allowance	(146)	(1,120)
Share-based compensation	9,701	8,300
Loss on extinguishment of debt	-	1,127
Inventory obsolescence	11,433	8,447
Non-cash interest expense and discount amortization	775	969
Other non-cash items affecting earnings	908	1,095
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivables	(11,100)	(1,084)
Inventories	(21,042)	(3,278)
Other assets and liabilities	7,206	9,991
Net cash provided by operating activities	7,167	32,432
Cash flows from investing activities:		
Acquisitions	(2,000)	(10,148)
Purchases of intangible assets	(83)	(2,935)
Additions of instruments	(21,751)	(23,805)
Purchases of property, plant and equipment	(10,494)	(10,825)
Capitalized development costs	(6,159)	(7,450)
Net cash used in investing activities	(40,487)	(55,163)
Cash flows from financing activities:		
Proceeds from (repayments of) short-term debt	6,000	(1,000)
Repayments of long-term debt	(1,092)	(54,095)
Contingent consideration payment	(6,944)	-
Proceeds from issuance of long-term debt	477	1,796
Issuance of ordinary shares from option exercises	3,976	21,481
Proceeds form other issuance of ordinary shares	283	78,952
Deferred financing costs	-	(111)
Net cash provided by financing activities	2,700	47,023
Effect of exchange rate changes on cash and cash equivalents	1,776	1,384
Increase (decrease) in cash and cash equivalents	(28,844)	25,676
Cash and cash equivalents:		
Beginning of period	56,696	31,020
End of period	27,852	56,696
Income taxes paid	2,034	1,700
Interest paid	4,185	6,043

D. NOTES TO THE 2014 CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS

Tornier N.V. and its subsidiaries (collectively referred to as 'Tornier', 'the Company', or 'the Group') is a global medical device company focused on providing solutions to surgeons that treat musculoskeletal injuries and disorders of the shoulder, elbow, wrist, hand, ankle and foot, referred to as "extremity joints." The Company sells to this surgeon base a broad line of joint replacement, trauma, sports medicine and biologic products to treat extremity joints. In certain international markets, the Company also offers joint replacement products for the hip and knee.

Tornier's global corporate headquarters are located in Amsterdam, the Netherlands. The Company also has significant operations located in Bloomington, Minnesota (U.S. headquarters, sales, marketing and distribution and administration), Grenoble, France (OUS headquarters, manufacturing and research and development), Macroom, Ireland (manufacturing), Warsaw, Indiana (research and development) and Medina, Ohio (marketing, research and development). In addition, the Company conducts local sales and distribution activities across 12 sales offices throughout Europe, Asia, Australia and Canada.

The consolidated financial statements and accompanying notes present the consolidated results of the Company for each of the fiscal years in the two-year period ended December 28, 2014 and December 29, 2013.

Proposed Merger with Wright Medical Group, Inc.

On October 27, 2014, Tornier entered into an agreement and plan of merger with Wright Medical Group, Inc. (Wright). The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, an indirect wholly owned subsidiary of Tornier N.V. will merge with and into Wright, with Wright continuing as the surviving company and an indirect wholly owned subsidiary of Tornier following the transaction. Following the closing of the transaction, the combined company will conduct business as Wright Medical Group N.V. and Robert J. Palmisano, Wright's president and chief executive officer, will become president and chief executive officer of the combined company and David H. Mowry, Tornier's president and chief executive officer, will become executive vice president and chief operating officer of the combined company. Wright Medical Group N.V.'s board of directors will be comprised of five representatives from Wright's existing board of directors and five representatives from Tornier's existing board of directors, including Mr. Palmisano and Mr. Mowry.

Subject to the terms and conditions of the merger agreement, at the effective time and as a result of the merger, each share of common stock of Wright issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive 1.0309 Tornier ordinary shares. In addition, at the effective time and as a result of the merger, all outstanding options to purchase shares of Wright common stock and other equity awards based on Wright common stock, which are outstanding immediately prior to the effective time of the merger, will become immediately vested and converted into and become, respectively, options to purchase Tornier ordinary shares and with respect to all other Wright equity awards, awards based on Tornier ordinary shares, in each case, on terms substantially identical to those in effect prior to the effective time of the merger, except for the vesting requirements and adjustments to the underlying number of shares and the exercise price based on the exchange ratio used in the merger and other adjustments as provided in the merger agreement. Upon completion of the merger, Tornier shareholders will own approximately 48% of the combined company on a fully diluted basis and Wright shareholders will own approximately 52%.

The transaction is subject to approval of Tornier and Wright shareholders, and is expected to be completed in mid-2015. In the event that the Company terminates the merger agreement under certain specified circumstances, the Company may be required to pay Wright a $46 million termination fee.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the Netherlands and comply with Part 9, Book 2 of the Netherlands Civil Code. The statements were prepared under the historical cost convention and are presented in U.S. dollars. As permitted by Section 402, Book 2 of the Code, an abridged statement of operations is presented in the Company financial statements.

The Company's fiscal year-end is generally determined on a 52-week basis consisting of four 13 week quarters and always falls on the Sunday nearest to December 31.

As permitted by Section 363.5, Book 2 of the Code, certain amounts from prior periods have been reclassified to conform with current financial presentation.

Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly and majority owned subsidiaries. In consolidation, all material intercompany accounts and transactions are eliminated.

Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Company has a direct and indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that presently are exercisable are taken into account. Group companies exclusively acquired with the view to resale are exempted from consolidation.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group companies are consolidated in full with non-controlling interest presented within group equity separate from parent's equity.

Use of Estimates

The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Foreign Currencies

The consolidated financial statements are prepared in U.S. Dollar ("$"), the presentation currency of the Group. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The company-only financial statements are prepared in U.S. Dollar ("$"), the presentation currency of the Company. The Company is incorporated in the Netherlands and has concluded that its functional currency is the Euro ("€"), based on the fact that the Euro is the currency that determines the sales prices of the majority of Tornier's goods and services, as well as the currency that mainly influences the labour and material costs used to produce Tornier's products.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates as of the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates as of the balance sheet date.

Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are included in the foreign currency translation line on the consolidated statements of operations, with the exception of exchange differences resulting from net investments in foreign activities or from loans taken out to finance or effectively hedge net investments in foreign activities. These exchange differences are taken directly to translation reserve within shareholders' equity. Translation reserve is included under legal reserves on the consolidated balance sheet.

Goodwill and fair value adjustments arising from the acquisition of a foreign activity are treated as assets and liabilities of the foreign entity and are translated at the exchange rate as of the balance sheet date

The assets and liabilities of foreign activities are translated into the Group's presentation currency (U.S. Dollar) at the rate as of the balance sheet date and the income and expenses of these foreign activities are translated at the average rate of exchange for the year. Resulting exchange differences are taken directly to foreign currency translation reserve, included in legal reserves on the consolidated balance sheet. When a foreign operation is sold, such exchange differences are recognized in the consolidated statement of operations as part of the gain or loss on the sale.

The functional and presentation currency of the Group and the foreign activities have not changed in comparison to the previous financial year.

Revenue Recognition

The Company derives its revenue from the sale of medical devices that are used by orthopaedic surgeons who treat diseases and disorders of extremity joints, including the shoulder, elbow, wrist, hand, ankle and foot, and large joints, including the hip and knee. Revenue is generated from sales to two types of customers: healthcare institutions and stocking distributors, with sales to healthcare institutions representing a majority of the Company's revenue. Revenue from sales to healthcare institutions is recognized at the time of surgical implantation. Revenue from sales to stocking distributors is recorded at the time the product is shipped to the distributor. These stocking distributors, who sell the products to their customers, take title to the products and assume all risks of ownership at the time of shipment. Stocking distributors are obligated to pay within specified terms regardless of when, if ever, they sell the products. In certain circumstances, the Company may accept sales returns from distributors and in certain situations in which the right of return exists, the Company estimates a reserve for sales returns and recognizes the reserve as a reduction of revenue. The Company bases its estimate for sales returns on historical sales and product return information including historical experience and trend information. The Company's reserve for sales returns has historically been immaterial.

Shipping and Handling

Amounts billed to customers for shipping and handling of products are reflected in revenue and are not significant. Costs related to shipping and handling of products are expensed as incurred and are included in selling and marketing expenses.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less. The carrying amount reported in the consolidated balance sheet for cash and cash equivalents is cost, which approximates fair value.

Receivables

Accounts receivable consist of trade customer receivables, which are initially valued at fair value. The Company maintains an allowance for doubtful accounts for estimated losses in the collection of accounts receivable. The Company makes estimates regarding the future ability of its customers to make required payments based on

historical credit experience, delinquency, and expected future trends. The majority of the Company's receivables are from healthcare institutions, many of which are government funded.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. The allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Collateral or other security is generally not required for accounts receivable.

Royalties

The Company pays royalties to certain individuals and companies that have developed and retain the legal rights to the technology or have assisted the Company in the development of technology or new products. These royalties are based on sales and are reflected as a selling and marketing expense in the consolidated statements of operations.

Inventories

Inventories, net of reserves for obsolete and slow-moving goods, are stated at the lower of cost or market value (net realizable value). Cost is determined on a first-in, first-out (FIFO) basis. Costs included in the value of inventory that the Company manufactures include the material costs, direct labor costs and manufacturing and distribution overhead costs. Inventories consist of raw materials, work-in-process and finished goods. Finished goods inventories are held primarily in the United States, as well as several countries in Europe, Canada, Japan and Australia and consist primarily of joint implants and related orthopaedic products.

The Company regularly reviews inventory quantities on-hand for excess and obsolete inventory and, when circumstances indicate, incurs charges to write down inventories to their net realizable value. The Company's review of inventory for excess and obsolete quantities is based primarily on the estimated forecast of future product demand, production requirements, and introduction of new products.

Tangible Fixed Assets

Other Tangible Fixed Assets

Tangible fixed assets are carried at cost less accumulated depreciation. Depreciation is recognized in the consolidated statement of operations on a straight-line basis over the estimated useful lives of five to thirty-nine years for buildings and improvements, five to ten years for furniture and fixtures and two to eight years for machinery and equipment, taking into account the residual value of the various components. The cost of maintenance and repairs is expensed as incurred.

The Company reviews tangible fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of a tangible fixed asset is recognized and measured by comparison of the carrying amount of the asset with the greater of its value in use and fair value less costs to sell. Value in use is measured as the present value of future cash flows expected to be generated by the asset. If the carrying amount is deemed not recoverable, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount.

Instruments

Instruments are surgical tools used by orthopaedic and general surgeons during joint replacement and other surgical procedures to facilitate the implantation of the Company's products. Instruments are recognized as tangible fixed assets. Instruments and instrument parts that have not been placed in service are carried at cost, and are included as instruments in process within tangible fixed assets on the consolidated balance sheet. Once placed in service, instruments are carried at cost, less accumulated depreciation.

Depreciation is recognized in the consolidated statement of operations on a straight-line basis over the average estimated useful lives. Estimated useful lives are determined principally in reference to associated product life cycles, and average five years. Instrument parts that are used to maintain the functionality of instruments but do not extend the life of the instruments are expensed as they are consumed and recognized as a part of selling and marketing expenses.

The Company reserves for excess spare parts that may not be consumed as maintenance or capitalized into instruments sets.

The Company reviews instruments for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of an instrument is recognized and measured by comparison of the carrying amount of the asset with the greater of its value in use and fair value less costs to sell. Value in use is measured as the present value of future cash flows expected to be generated by the asset. If the carrying amount is deemed not recoverable, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities.

After initial recognition, goodwill is measured at cost less accumulated amortization and any accumulated impairment losses. Amortization of goodwill is recognized as a part of general and administrative expenses. Goodwill is amortized over twenty years which is determined to be its useful economic life and assessed for impairment whenever there is an indication that the goodwill may be impaired. The amortization period for goodwill is reviewed at least at annually. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to the Group's cash-generating unit which is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a business combination is based on their fair values as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are expensed as incurred.

Intangible assets are amortized over their estimated useful economic life, ranging from one to twenty years. The amortization period and the amortization method for an intangible asset are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are recognized by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense for intangible assets is recognized in general and administrative expense.

Development costs on projects for which development is not yet complete and the asset is not yet available for use and for which amortization has not yet begun are considered intangible assets and are subject to an annual impairment test.

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 recognized through profit or loss when the asset is derecognized.

At each reporting date, intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. Recoverability is recognized and measured by comparison of the carrying amount of the asset with its value in use. Value in use is measured as the present value of future cash flows expected to be generated by the asset. If the carrying amount is deemed not recoverable, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized 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; and the ability to measure reliably the expenditure during development. A legal reserve equivalent to the carrying amount is formed.

Following initial recognition of development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and impairment losses. Amortization of the asset begins when development is complete and the asset is available for use and continues over the period of expected future benefit. Capitalized development expenditures are reviewed for impairment whenever there is an indication that the asset may be impaired.

Provisions

Provisions are recognized 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized through profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Supplementary Cash Flow Information

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into dollars using the average exchange rates at the dates of the transactions. The non-cash transactions in the cash flow statement include the amortization related to the fair value adjustments on purchased inventory, net impact on deferred income taxes and tax benefits from the release of valuation allowances.

Non-cash interest expense and discount amortization are included in cash provided by operating activities and relates to the amortization of deferred financing costs, which are included in net cash provided by financing. These deferred financing costs relate to the costs associated with obtaining new long-term debt and was primarily included in 2012 cash flows, with minimal amounts occurring in 2013 and 2014. Share-based compensation expense in operating cash flows deviates from the movement in equity due to the capitalization of certain expenses which are not recognized in the statement of operations. Also included in cash flow from operations is deferred income taxes. The change in the net deferred tax balances on the consolidated balance sheet may not equal the change in the deferred income tax line on the consolidated statement of cash flows due to several factors, including exchange rate differences and deferred assets and liabilities recorded as a part of acquisitions.

Cash payments for acquisitions, cash flow from the purchase of property, plant and equipment, instruments and intangible assets and cash flows related to expenditure on capitalized development costs are included under cash flows from investing activities. Capitalized development costs are included on the consolidated balance sheet in intangible assets and are amortized on the consolidated statement of operations over 5 years from the date of project launch. Financing costs related to the receipt of additional long-term debt, and net proceeds raised from Tornier's May 2013 underwritten public offering and from stock option exercises are included in net cash provided by financing activities. Cash payments for acquisitions may not equal the amounts referenced in Note 3 due to other consideration paid in the form of liabilities such as contingent consideration and deferred payments.

Transactions, for which no cash or cash equivalents are exchanged including finance leases and accrued software development costs, primarily related to the Company's development of an enterprise resource planning system, are not included in the cash flow statement.

Financial Instruments

Financial instruments include investments in shares, trade and other receivables, cash items, loans and other financing commitments, and trade and other payables. This financial statement contains the following financial instruments: financial instruments held for trading (financial assets and liabilities), loans and receivables, equity instruments, other financial liabilities and derivatives.

Financial instruments or their separate components are classified in the consolidated financial statements as a liability or as equity in accordance with the substance of the contractual agreement underlying the financial instrument. In the Company's financial statements, a financial instrument is classified in accordance with the legal reality. Interest, dividends, income and expenses relating to a financial instrument, or part of a financial instrument, are included in the financial statements in accordance with the classification of the financial instrument as a liability or equity.

Financial instruments are initially recognized at fair value. If instruments are not measured at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement.

After initial recognition, financial instruments are valued either at fair value or amortized cost whereby derivatives are subsequently valued at fair value and other financial instruments at amortized cost.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Derivatives

In connection with Torniers' foreign currency risk management practices, the Company has at times used certain derivative financial instruments that are not designated as hedges. All of the Company's derivative instruments are recorded in the accompanying consolidated balance sheet as either an asset or liability and are measured at fair value. The changes in the derivative's fair value are recognized currently in current period earnings. Changes to the fair value of foreign currency derivative instrument economic hedges are recognized as a foreign currency translation gain (loss) on the consolidated statement of operations. Any related derivative assets or liabilities are recorded as other current assets or other current liabilities, respectively, in the consolidated balance sheet.

Fair Value of Financial Instruments

The Company measures certain assets and liabilities at fair value on a recurring or non-recurring basis. For measurement and disclosure purposes, fair value is determined on the basis of the following methods:

Level 1 - Assets and liabilities with unadjusted, quoted prices listed on active market exchanges.

Level 2 - Assets and liabilities determined using prices for recently traded assets and liabilities with similar underlying terms, as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3 - Assets and liabilities that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the asset or liability. The prices are determined using significant unobservable inputs or valuation techniques.

As of December 28, 2014 and December 29, 2013, the Company had derivative assets with recurring Level 2 fair value measurements. The derivatives are foreign exchange forward contracts and their fair values have been determined using a cost-to-sell analysis based on pricing for similar recently executed transactions and are considered Level 2 fair value measurements as the key inputs into the calculations included estimated market values of the facilities, which reflect the assumptions that market participants would use.

Included in Level 3 fair value measurements as of December 28, 2014 and December 29, 2013 are contingent consideration liabilities related to potential earn-out payments for the acquisition of OrthoHelix that was completed in October 2012; earn-out payments for distributor acquisitions in the United States that occurred throughout 2013; potential earn-out payments for the acquisition of the Company's exclusive distributor in Belgium and Luxembourg that was completed in May 2012; and potential earn-out payments related to the acquisition of a distributor in Australia. There were no transfers between levels during the years ended December 28, 2014 and December 29, 2013. The contingent consideration were determined based on discounted cash flow analyses that included revenue estimates and a discount rate. The revenue estimates were based on current management expectations for these businesses and the discount rate used based on the Company's estimated weighted average cost of capital for each transaction.

The Company also has some assets and liabilities that are measured at fair value on a non-recurring basis. The Company reviews the carrying amount of its long-lived assets other than goodwill for potential impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

As of December 28, 2014 and December 29, 2013, the Company had short-term and long-term debt of $75.5 million and $69.1 million, respectively, the vast majority of which was variable rate debt. The fair value of the Company's debt obligations approximates carrying value as a result of its variable rate term and would be considered a Level 2 measurement.

Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of operations, except to the extent that it relates to items recognized directly in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences and carryforward losses, to the extent that it is probable that future taxable profit will be available for set-off.

Deferred tax liabilities and deferred tax assets are carried on the basis of the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals, and deferred income as planned by the Company at the balance sheet date. Deferred tax liabilities and deferred tax assets are carried at nondiscounted value.

Pensions

In accordance with Dutch Accounting Standard 271.01, the Company has applied the provisions of ASC Topic 715 *Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans* for the Company's

defined benefit plan in France. For the defined benefit plan, the pension obligations are recognized as a provision equal to the balance of the following items:

- the present value of the pension entitlements at the balance sheet date; less
- the charges to be allocated to future years in respect of past service; less
- the fair value of the plan assets (assets of the pension fund and qualifying insurance policies) at the balance sheet date that are held in order to pay pensions in the future.

The present value of the pension entitlements and the charges in respect of past service are calculated using the projected unit credit method.

Actuarial gains and losses are recognized in the consolidated statement of operations, if and to the extent that the net cumulative unrecognized actuarial gains and losses at the beginning of the financial year exceed the higher of 10% of the greater of the benefit obligation or the market-related value of plan assets. These gains and losses are spread over the average remaining service period of active employees, and the resulting amount is recognized in the statement of operations. For the defined contribution plans that are administered by a life insurance company, the Company is only required to pay the agreed contributions to the insurance company. The insurance company bears the full actuarial risk. The contributions due are recognized in the consolidated statement of operations. Contributions payable and refunds receivable are included under current liabilities and current assets, respectively.

Share-based Payments

Share-based awards are granted under the Tornier N.V. 2010 Incentive Plan as amended and restated (2010 Plan). This plan allows for the issuance of up to 7.7 million ordinary shares in connection with the grant of a combination of potential share-based awards, including stock options, restricted stock units, stock appreciation rights and other types of awards as deemed appropriate. To date, only options to purchase ordinary shares (options) and restricted stock units (RSUs) have been awarded. Both types of awards generally have graded vesting periods of four years and the options expire ten years after the grant date. Options are granted with exercise prices equal to the fair value of the Company's ordinary shares on the date of grant.

The Company recognizes compensation expense for these awards on a straight-line basis over the vesting period. Share-based compensation expense is included in cost of goods sold, selling and marketing, and general and administrative expenses in the consolidated statements of operations.

Stock options

The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of estimates, including the expected life of stock options, expected stock price volatility, the risk-free interest rate and the expected dividend yield. The Company calculates the expected life of stock options using the SEC's allowed short-cut method. The expected stock price volatility assumption was estimated based upon historical volatility of the common stock of a group of the Company's peers that are publicly traded. The risk-free interest rate was determined using U.S. treasury rates with terms consistent with the expected life of the stock options. Expected dividend yield is not considered, as the Company has never paid dividends and currently has no plans of doing so during the term of the options. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data when available to estimate pre-vesting option forfeitures, and records share-based compensation expense only for those awards that are expected to vest.

All stock options are amortized and recognized as compensation expense on a straight-line basis over their respective requisite service periods, which are generally the vesting periods.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

(in thousands of USD)	December 28, 2014	December 29, 2013
Goodwill	$ 171,750	$ 192,786
Development costs	29,158	32,828
Customer relationships, tradenames, and other	87,574	109,689
Total goodwill and other intangibles	$ 288,482	$ 335,303

Goodwill

The following tables summarize the changes in the carrying amount of goodwill for the period ended December 28, 2014, and December 29, 2013:

(in thousands of USD)	
Balance at December 29, 2013	$ 192,786
Acquisition	2,467
Contingent consideration adjustment	(5,388)
Amortization expense	(12,541)
Foreign currency translation	(5,574)
Balance at December 28, 2014	$ 171,750

(in thousands of USD)	
Balance at December 30, 2012	$ 199,882
Acquisition	8,253
Contingent consideration adjustment	(5,140)
Amortization expense	(12,373)
Foreign currency translation	2,164
Balance at December 29, 2013	$ 192,786

The goodwill balance at December 28, 2014 and December 29, 2013 included $16.7 million and $16.8 million of goodwill eligible for future tax deductions, respectively.

Goodwill capitalized arising from the acquisition of investments is being amortized evenly over the estimated useful economic life which is assumed to be 20 years. Qualitatively, the three largest components of goodwill include: (1) expansion into international markets; (2) the relationships between the Company's sales representatives and physicians; and (3) the development of new product lines and technology. It is the Company's assessment that the above components will last for 20 years. The accumulated amortization of goodwill at December 28, 2014 is $67.9 million and $59.1 million at December 29, 2013.

2014 Acquisitions

During the year ended December 28, 2014, the Company acquired intangible assets in the form of non-compete agreements and goodwill in the amounts of $0.2 million and $2.5 million, respectively, related to the acquisition of certain U.S. distributors and independent sales agencies.

2013 Acquisitions

On February 1, 2013, the Company acquired its distributor in Canada for $3.3 million, which included $0.5 million in potential earn-out payments, which were subsequently paid. The purchase accounting for this transaction resulted in an increase in intangible assets of $0.5 million, in the form of customer relationships and non-compete agreements, and an increase in goodwill of $0.3 million.

On January 1, 2013, the Company acquired a distributor in the United Kingdom for $1.0 million, which included $0.1 million in potential earn-out payments, which were subsequently paid. The purchase accounting for this transaction resulted in an increase in intangible assets of $0.1 million in the form of customer relationships.

On November 1, 2013, the Company acquired a distributor in Australia for $2.6 million, which included $0.2 million in potential earn-out payments. The purchase accounting for this transaction resulted in an increase in intangible assets of $0.1 million in the form of non-compete agreements and an increase in goodwill of $1.4 million.

During the year ended December 29, 2013, the Company acquired certain U.S. distributors and independent sales agencies for approximately $8.9 million. The purchase accounting for these U.S. distributor transactions resulted in $2.2 million of intangible assets, primarily non-compete agreements and an increase in goodwill of $6.7 million.

Other Intangible Assets

Intangible assets include developed technology, customer relationships, trademarks, patents and licenses, and capitalized development costs. All intangible assets have been assigned an estimated useful life and are amortized on a straight-line basis over the period that approximates to their respective useful life, ranging from one to twenty years. The weighted amortization periods, by major intangible asset class, are as follows:

	Weighted-average amortization period (In years)
Developed technology	12
Customer relationships	13
Licenses	5
In-process research and development	5
Capitalised development costs	5
Other	3

Intangible assets are tested for impairment when impairment indicators exist. Intangible assets not yet available for use, are tested for impairment annually either individually or at the cash-generating unit level. Annually, development costs are evaluated on a project-by-project basis by reviewing current status and project details.

For the year ended December 28, 2014 an impairment of less than $0.1 million was recorded related to capitalized research and development costs. For the year ended December 29, 2013, the Company recognized an impairment charge of $0.1 million related to license intangibles that are no longer being used. In addition, Tornier recognized an impairment charge of $3.5 million related to capitalized research and development costs related to projects the Company is no longer pursuing.

The movements in other intangible assets were as follows:

(in thousands of USD)	Development costs	Other intangibles	Total
Net book value at December 29, 2013	$ 32,828	$ 109,689	$ 142,517
Additions as part of acquisition	-	245	245
Additions	5,942	-	5,942
Impairment	(49)	-	(49)
Amortization	(8,028)	(17,649)	(25,677)
Translation adjustment	(1,535)	(4,711)	(6,246)
Net book value at December 28, 2014	$ 29,158	$ 87,574	$ 116,732
Accumulated amortization at December 28, 2014	$ (55,314)	$ (106,795)	$ (162,109)

(in thousands of USD)	Development costs	Other intangibles	Total
Net book value at December 30, 2012	$ 39,947	$ 116,787	$ 156,734
Additions as part of acquisition	-	3,327	3,327
Additions	7,570	2,935	10,505
Transfers	(3,100)	3,100	-
Impairment	(3,499)	(60)	(3,559)
Amortization	(8,864)	(16,547)	(25,411)
Translation adjustment	774	147	921
Net book value at December 29, 2013	$ 32,828	$ 109,689	$ 142,517
Accumulated amortization at December 29, 2013	$ (50,110)	$ (90,174)	$ (140,284)

Total amortization expense for intangible assets and goodwill was $38.2 million and $37.8 million for the years ended December 28, 2014 and December 29, 2013 respectively.

A breakdown of other intangible assets and the related accumulated amortization as of December 28, 2014 and December 29, 2013, were as follows:

Balances at December 28, 2014 (in thousands of USD) Intangible assets subject to amortization	Gross balance	Accumulated amortization	Net book balance
Developed technology:	$ 116,103	$ (61,704)	$ 54,399
Customer relationships	55,720	(31,582)	24,138
Capitalized development costs	84,472	(55,314)	29,158
Licenses	6,870	(5,188)	1,682
Tradename	8,718	(3,911)	4,807
Other	6,958	(4,410)	2,548
Total	$ 278,841	$ (162,109)	$ 116,732

Balances at December 29, 2013 (in thousands of USD) Intangible assets subject to amortization	Gross balance	Accumulated amortization	Net book balance
Developed technology:	$ 114,988	$ (49,720)	$ 65,268
Customer relationships	61,495	(30,081)	31,414
Capitalized development costs	82,938	(50,110)	32,828
Licenses	6,853	(4,047)	2,806
Tradename	9,901	(3,895)	6,006
Other	6,626	(2,431)	4,195
Total	$ 282,801	$ (140,284)	$ 142,517

4. TANGIBLE FIXED ASSETS

(in thousands of USD)	December 28, 2014	December 29, 2013
Land and buildings	$ 7,262	$ 8,801
Machinery and equipment	15,888	15,883
Instruments in process	3,726	4,629
Instruments	59,162	58,426
Furniture, fixtures, and office equipment	10,849	13,182
Assets under construction	10,663	5,628
	$ 107,550	$ 106,549

The movements in tangible fixed assets were as follows:

(in thousands of USD)	Land and buildings	Machinery and equipment	Instruments in process	Instruments	Other	Assets under construction	Total
Net book value at December 29, 2013	$ 8,801	$ 15,883	$ 4,629	$ 58,426	$ 13,182	$ 5,628	$ 106,549
Additions/transfers	747	4,452	1,970	27,350	1,537	5,035	41,091
Disposals	(249)	(17)	-	(6,687)	-	-	(6,953)
Reclassification	-	-	344	(344)	-	-	-
Depreciation charge for the period	(960)	(3,254)	-	(16,563)	(2,658)	-	(23,435)
Reserve charge for the period	-	-	(1,582)	-	-	-	(1,582)
Translation adjustment	(1,077)	(1,176)	(1,635)	(3,020)	(1,212)	-	(8,120)
Net book value at December 28, 2014	$ 7,262	$ 15,888	$ 3,726	$ 59,162	$ 10,849	$ 10,663	$ 107,550
Accumulated depreciation at December 28, 2014	$ (7,048)	$ (15,002)	$ -	$ (67,356)	$ (21,473)	$ -	$ (110,879)

(in thousands of USD)	Land and buildings	Machinery and equipment	Instruments in process	Instruments	Other	Assets under construction	Total
Net book value at December 30, 2012	$ 10,037	$ 11,079	$ 5,286	$ 46,108	$ 13,887	$ 2,148	$ 88,545
Additions as part of acquisition	-	-	-	822	-	-	822
Additions/transfers	839	4,861	4,861	18,944	2,705	3,480	35,690
Disposals	425	(618)	-	(1,604)	(49)	-	(1,846)
Reclassification	-	-	(5,706)	5,706	-	-	-
Depreciation charge for the period	(2,267)	(2,015)	-	(13,797)	(2,405)	-	(20,484)
Reserve charge for the period	-	-	(30)	(3,657)	-	-	(3,687)
Impairment	-	-	-	-	(140)	-	(140)
Translation adjustment	(233)	2,576	218	5,904	(816)	-	7,649
Net book value at December 29, 2013	$ 8,801	$ 15,883	$ 4,629	$ 58,426	$ 13,182	$ 5,628	$ 106,549
Accumulated depreciation at December 29, 2013	$ (7,340)	$ (15,307)	$ -	$ (60,690)	$ (21,701)	$ -	$ (105,038)

Depreciation expense was $23.4 million and $20.5 million, during the years ended December 28, 2014 and December 29, 2013 respectively.

The Company did not record fixed asset impairments for the year ended December 28, 2014. For the year ended December 29, 2013, the Company recognized $0.1 million of fixed asset impairments related to the OrthoHelix integration. This impairment was recorded in other expense, in the consolidated statements of operations for the year ended December 28, 2013.

Included in assets under construction for the years ended December 28, 2014 and December 29, 2013 is $10.7 million and $5.6 million, respectively, of software development costs, primarily related to the Company's development of an enterprise resource planning system.

Fixed assets that are recorded as capital lease assets consist of machinery and equipment, and had a carrying value of $1.9 million ($2.4 million gross value, less $0.5 million accumulated depreciation) and

$1.7 million ($2.5 million gross value, less $0.8 million accumulated depreciation) at December 28, 2014 and December 29, 2013, respectively. Depreciation of capital lease assets is included in cost of goods sold, selling and marketing expenses, and general and administrative expenses lines in the consolidated statements of operations.

5. INVENTORIES

Finished goods inventories are held in the United States, Europe, and Australia and consist primarily of implants. Inventory balances consist of the following:

(in thousands of USD)	December 28, 2014		
	Inventories	Reserves	Total
Raw materials	$ 8,719	$ (950)	$ 7,769
Work-in-process	9,197	-	9,197
Finished goods	107,035	(35,339)	71,696
Total	$ 124,951	$ (36,289)	$ 88,662

(in thousands of USD)	December 29, 2013		
	Inventories	Reserves	Total
Raw materials	$ 8,080	(1,240)	$ 6,840
Work-in-process	9,170	-	9,170
Finished goods	103,233	(32,233)	71,000
Total	$ 120,483	$ (33,473)	$ 87,010

The Company recognized $11.4 million and $8.4 million of expense for excess or obsolete inventory in earnings during the years ended December 28, 2014 and December 29, 2013 respectively. The Company had $43.1 million and $47.8 million in inventory held on consignment with third-party distributors and healthcare facilities, among others, at December 28, 2014 and December 29, 2013, respectively.

6. RECEIVABLES

(in thousands of USD)	December 28, 2014	December 29, 2013
Trade receivables, net	$ 63,583	$ 55,555
Deferred income taxes	15,967	14,098
Prepaid expenses	4,613	3,151
Other receivables	6,522	6,300
	$ 90,685	$ 79,104

As of December 28, 2014, there were no customers that accounted for more than 10% of accounts receivable.

The majority of the Company's receivables are from healthcare institutions, many of which are government funded. The Company's collection history with this class of customer has been favorable and resulted in a low level of historical write-offs. The Company's allowance for doubtful accounts was $5.8 million and $5.1 million at December 28, 2014 and December 29, 2013, respectively.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents relate to cash at banks and in hand and are available on demand. No restrictions on cash exist.

8. SHAREHOLDERS' EQUITY

Reference is made to notes to the company-only financial statements for details of shareholders' equity.

9. CAPITAL STOCK

The Company had 49.0 million and 48.5 million ordinary shares issued and outstanding as of December 28, 2014 and December 29, 2013, respectively.

In 2013, the Company completed a secondary offering for the issuance of 5,175,000 shares of common stock that resulted in net proceeds to the Company of $78.7 million.

The Company had outstanding options to purchase 2.6 million and 2.6 million ordinary shares at December 28, 2014 and December 29, 2013, respectively. The Company also had 0.6 million and 0.6 million restricted stock units outstanding at December 28, 2014 and December 29, 2013, respectively.

10. PROVISIONS

(in thousands of USD)	December 28, 2014	December 29, 2013
Deferred taxes	$ 19,660	$ 23,269
Contingent consideration	1,989	12,956
Pension	4,010	2,838
Other	99	109
	$ 25,758	$ 39,172
Less amounts due within one year	1,811	6,351
	$ 23,947	$ 32,821

Provisions are predominantly long-term in nature. Amounts included in other provisions include accrued interest payable, long-term accounts payable and long-term taxes payable.

Contingent consideration is carried at discounted value, which is determined to be the best estimate. The contingent consideration were determined based on discounted cash flow analyses that included revenue estimates and a discount rate, which are considered significant unobservable inputs as of December 28, 2014. The revenue estimates were based on current management expectations for these businesses and the discount rate used was between 8-11% and was based on the Company's estimated weighted average cost of capital for each transaction. To the extent that these assumptions were to change, the fair value of the contingent consideration could change significantly. Included in interest expense on the consolidated statement of operations for the years ended December 28, 2014 and December 29, 2013 is $0.3 million and $1.1 million, respectively, related to the accretion of the contingent consideration.

As of December 28, 2014, the Company recorded a $1.4 million contingent consideration related to earn-out payments for distributor acquisitions in the United States that occurred throughout 2013 and a $0.1 million contingent consideration related to potential earn-out payments related to the acquisition of a distributor in Australia. Also included in contingent consideration is $0.5 million for contingent consideration for earn-out payments related to the acquisition of OrthoHelix that was completed in October 2012.

As of December 29, 2013, the Company recorded a $1.9 million contingent consideration related to earn-out payments for distributor acquisitions in the United States that occurred throughout 2013 and a $0.2 million contingent consideration related to potential earn-out payments related to the acquisition of a distributor in Australia. Also included in contingent consideration is $0.5 million related to potential earn-out payments of the Company's exclusive distributor in Belgium and Luxembourg that was completed in May 2012 and $10.4 million for contingent consideration for earn-out payments related to the acquisition of OrthoHelix that was completed in October 2012.

The movements during the years were as follows:

(in thousands of USD)	Deferred taxes	Contingent consideration	Pension	Other	Total
Net book value at December 29, 2013	$ 23,269	$ 12,956	$ 2,838	$ 109	$ 39,172
Additions	-	1,670	-	-	1,670
Change in deferred taxes	(3,970)	-	-	-	(3,970)
Accretion	-	292	1,506	-	1,798
Adjustments	-	(5,978)	-	-	(5,978)
Payments	-	(6,944)	-	-	(6,944)
Translation adjustment	361	(7)	(334)	(10)	10
Net book value at December 28, 2014	$ 19,660	$ 1,989	$ 4,010	$ 99	$ 25,758

(in thousands of USD)	Deferred taxes	Contingent consideration	Pension	Other	Total
Net book value at December 30, 2012	$ 15,403	$ 15,265	$ 2,489	$ 476	$ 33,633
Additions as part of acquisition	-	3,329	-	-	3,329
Change in deferred taxes	7,607	-	-	-	7,607
Accretion	-	1,132	248	-	1,380
Adjustments	-	(5,140)	(27)	(367)	(5,534)
Payments	-	(1,640)	-	-	(1,640)
Translation adjustment	259	10	128	-	397
Net book value at December 29, 2013	$ 23,269	$ 12,956	$ 2,838	$ 109	$ 39,172

11. LONG-TERM LIABILITIES

(in thousands of USD)	**December 28, 2014**	**Amounts due after five years**
Long-term debt	$ 73,902	$ 8,874
Long-term obligations under financial leases	1,597	
Other long-term liabilities	4,512	
	80,011	8,874
Less amounts due within one year	7,394	
	$ 72,617	$ 8,874

(in thousands of USD)	**December 29, 2013**	**Amounts due after five years**
Long-term debt	$ 68,234	$ 2,866
Long-term obligations under financial leases	847	
Other long-term liabilities	4,694	
	73,775	2,866
Less amounts due within one year	1,438	-
	$ 72,337	$ 2,866

A further breakdown of debt is as follows:

(in thousands of USD)	December 28, 2014	December 29, 2013
Lines of credit	$ 6,000	$ -
Current portion of long-term debt	966	990
Total current debt	6,966	990
Long-term debt	64,733	64,925
Due to shareholder	2,203	2,319
Total debt	$ 73,902	$ 68,234

Aggregate maturities of long-term debt for the next five years are as follows (in thousands of USD):

Future debt maturities:	2015	$ 966
	2016	1,208
	2017	62,093
	2018	573
	2019	188
	Thereafter	8,874

All lines of credit mature within a year and are automatically renewable upon maturity.

Lines of Credit

On October 4, 2012, the Company, and one of its U.S. operating subsidiaries, Tornier, Inc. (Tornier USA), entered into a credit agreement with Bank of America, N.A., as Administrative Agent, SG Americas Securities, LLC, as Syndication Agent, BMO Capital Markets and JPMorgan Chase Bank, N.A., as Co-Documentation Agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and SG Americas Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners, and the other lenders party thereto. The credit facility included a senior secured revolving credit facility to Tornier USA denominated at the election of Tornier USA, in U.S. dollars, Euros, pounds, sterling and yen in an aggregate principal amount of up to the U.S. dollar equivalent of $30.0 million. Funds available under the revolving credit facility may be used for general corporate purposes. Loans under the revolving credit facility bear interest at (a) the alternate base rate (if denominated in U.S. dollars), equal to the greatest of (i) the prime rate in effect on such day, (ii) the federal funds rate in effect on such day plus 1/2 of 1%, and (iii) the adjusted LIBO rate plus 1%, plus in the case of each of (i)-(iii) above, an applicable rate of 2.00% or 2.25% (depending on the Company's total net leverage ratio as defined in its credit agreement), or (b) in the case of a eurocurrency loan (as defined in the credit agreement), at the applicable adjusted LIBO rate for the relevant interest period plus an applicable rate of 3.00% or 3.25% (depending on the Company's total net leverage ratio), plus the mandatory cost (as defined in the credit agreement) if such loan is made in a currency other than U.S. dollars or from a lending office in the United Kingdom or a participating member state (as defined in the credit agreement). Additionally, the Company is subject to a 0.5% interest rate related to the unfunded balance on the line of credit. As of December 28, 2014, the outstanding balance related to this line of credit was $6.0 million. There was no outstanding amount under the line of credit as of December 29, 2013. The term of the line of credit ends in October 2017.

Bank Term Debt

In addition to the senior secured revolving credit facility discussed above, the credit agreement entered into on October 4, 2012 also provided for an aggregate credit commitment to Tornier USA of $115.0 million, consisting of: (1) a senior secured term loan facility to Tornier USA denominated in dollars in an aggregate principal amount of up to $75.0 million; (2) a senior secured term loan facility to Tornier USA denominated in Euros in an aggregate principal amount of up to the U.S. dollar equivalent of $40.0 million. The borrowings under the term loan facilities were used to pay the cash consideration for the OrthoHelix acquisition, and fees, costs and expenses incurred in connection with the acquisition and the credit agreement and to repay prior existing indebtedness of the Company and its subsidiaries. The term loans mature in October 2017. In the second quarter of 2013, the $40.0 million senior secured term loan facility denominated in Euros was repaid in full. As part of the repayment, the Company recorded

$1.1 million loss on extinguishment of debt related to the write-off of the corresponding deferred financing costs. Additionally, in June 2013, the Company repaid $10.5 million of the senior secured U.S. dollar denominated loan. Amounts recorded in interest expense related to the amortization of the debt discount were approximately $0.8 million for the year ended December 28, 2014.

Borrowings under these facilities within the credit agreement as of December 28, 2014 and December 29, 2013 were as follows:

(in thousands of USD)	December 28, 2014	December 29, 2013
Senior secured U.S dollar term loan	$ 64,031	$ 64,031
Debt discount	(2,315)	(3,157)
Total	$ 61,716	$ 60,874

The USD term facility bears interest at (a) the alternate base rate (if denominated in U.S. dollars), equal to the greatest of (i) the prime rate in effect on such day, (ii) the federal funds rate in effect on such day plus 1/2 of 1%, and (iii) the adjusted LIBO rate, with a floor of 1% (as defined in the new credit agreement) plus 1%, plus in the case of each of (i)-(iii) above, an applicable rate of 2.00% or 2.25% (depending on the Company's total net leverage ratio as defined in the Company's credit agreement), or (b) in the case of a eurocurrency loan (as defined in the Company's credit agreement), at the applicable adjusted LIBO rate for the relevant interest period plus an applicable rate of 3.00% or 3.25% (depending on the Company's total net leverage ratio), plus the mandatory cost (as defined in the credit agreement) if such loan is made in a currency other than U.S. dollars or from a lending office in the United Kingdom or a participating member state (as defined in the credit agreement).

The credit agreement, including the term loan and the revolving line of credit, contains covenants, including financial covenants which require the Company to maintain minimum interest coverage, annual capital expenditure limits and maximum total net leverage ratios, and customary events of default. The obligations under the credit agreement are guaranteed by the Company, Tornier USA and certain other specified subsidiaries of the Company, and subject to certain exceptions, are secured by a first priority security interest in substantially all of the assets of the Company and certain specified existing and future subsidiaries of the Company. Additionally, the credit agreement includes a restriction on the Company's ability to pay dividends. The Company was in compliance with all covenants as of December 28, 2014.

Also included in bank term debt is $0.4 million in a Euro loan and $1.6 million and $0.9 million related to capital leases at December 28, 2014 and December 29, 2013, respectively.

Mortgage

The Company has mortgages secured by an office building in Montbonnot, France. These mortgages had an outstanding balance of $3.6 million and $5.0 million at December 28, 2014 and December 29, 2013, respectively, and bear fixed annual interest rates of 2.55-4.9%.

Shareholder Debt

In 2008, one of the Company's 51% owned and consolidated subsidiaries borrowed $2.2 million from a member of the Company's board of directors who is also a 49% owner of the consolidated subsidiary. This loan was used to partially fund the purchase of real estate in Grenoble, France, to be used as a manufacturing facility. Interest on the debt is variable based on three-month Euro LIBOR rate plus 0.5% and has no stated term. The outstanding balance on this debt was $2.2 million and $2.3 million as of December 28, 2014 and December 29, 2013, respectively. The non-controlling interest in this subsidiary is deemed immaterial to the consolidated financial statements.

12. CURRENT LIABILITIES

(in thousands of USD)	December 28, 2014	December 29, 2013
Long-term liabilities due within one year	$ 7,394	$ 1,438
Trade payables	15,073	17,326
Taxation and social security	887	397
Payroll-related liabilities	25,330	21,499
Accrued expenses	33,779	29,215
	$ 82,463	$ 69,875

In December 2013, as part of the on-going integration of OrthoHelix, the Company announced the move and consolidation of various business operations from Medina, Ohio to Bloomington, Minnesota including customer service, quality, supply chain and finance functions. The Company included in current liabilities an accrual of $0.7 million during the year ended December 28, 2014 related to termination benefits including severance and retention in connection with the integration and $1.0 million of related to moving, professional fees, and other initiative related expenses, all of which were recorded in selling and marketing expenses in the consolidated statement of operations. The total charges related to the initiative were substantially recorded and paid in 2014.

13. RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

The pension plan of the Company and its consolidated group companies is a mix between a defined benefit plan for the French entity and defined contribution plans for the remaining entities. Due to the small number of participants and the immateriality of the pension liability, these disclosures are the only disclosures deemed necessary.

The Company's French subsidiary is required by French government regulations to offer a plan to its employees that provides certain lump-sum retirement benefits. This plan qualifies as a defined benefit retirement plan. The French regulations do not require funding of this liability in advance and as a result there are no plan assets associated with this defined-benefit plan. The Company has an unfunded liability of $4.0 million and $2.8 million recorded at December 28, 2014 and December 29, 2013, respectively, for future obligations under the plan that is included in provisions on the consolidated balance sheet. The government mandated discount rate decreased from 3.0% as of December 29, 2013 to 1.7% at December 28, 2014, which resulted in a $1.4 million unrealized loss recorded as a component of other comprehensive loss for the year ended December 28, 2014. For the year ended December 29, 2013, the discount rate increased from 2.8% to 3.0%, which resulted in a $0.1 million unrealized gain which was recorded as a component of other comprehensive loss. The related periodic benefit expense was immaterial in all periods presented.

14. INCOME TAXES

The following income tax disclosures have been prepared using the Company's U.S. tax jurisdictions as the basis for comparison because a portion of the Company's pretax loss differences are located within the Company's U.S. tax jurisdictions and because the Company reports its financial statements in U.S. dollars. The Company believes the following presentation, separating the United States from the rest of the world, is a more useful comparison of the Company's tax situation.

Current Taxes

The components of loss before taxes for the years ended December 28, 2014 and December 29, 2013, consists of the following:

(in thousands of USD)	December 28, 2014	December 29, 2013
United States	$ (47,575)	$ (49,992)
Rest of the world income	(668)	(7,234)
Loss before taxes	$ (48,243)	$ (57,226)

The income tax benefit (provision) for the years ended December 28, 2014 and December 29, 2013, consists of the following:

(in thousands of USD)	December 28, 2014	December 29, 2013
Current benefit / (expense)		
United States	$ 1,214	$ (94)
Rest of the world	(4,318)	(3,513)
Deferred benefit / (expense)	4,788	(3,328)
Total benefit / (expense) for income taxes	$ 1,684	$ (6,935)

A reconciliation of the United States statutory income tax rate to the Company's effective tax rate for the years ended December 28, 2014 and December 29, 2013, is as follows:

	December 28, 2014	December 29, 2013
Income tax provision at U.S. statutory rate	34.0%	34.0%
Nondeductible goodwill	-12.8%	-32.1%
Tax deductible IPO costs	1.6%	1.2%
Other foreign taxes	-2.4%	-2.1%
Tax benefit from disregarded entity	0.0%	1.1%
Impact of foreign income tax rates	1.7%	19.9%
Change in valuation of deferred tax assets and other	-24.4%	-26.9%
State and local taxes	2.0%	-2.8%
Stock option cancellation	0.0%	-4.8%
Non-deductible expenses	-0.5%	-0.7%
Deferred balance adjusmtents	2.3%	0.0%
Other	2.1%	1.1%
Total	3.6%	-12.1%

The US statutory tax rate has been used instead of the Dutch statutory tax rate as it is very unlikely that the tax losses under the Dutch fiscal unity will be offset with future taxable profits.

Included in income tax expense, the Company recognized increases of valuation allowances of $3.8 million (an increase in the valuation allowance of $3.9 million netted against a $0.1 million reversal of valuation allowance from the OrthoHelix acquisition), and $15.4 million (an increase in the valuation allowance of $16.5 million netted against the $1.1 million of reversal of valuation allowance from the OrthoHelix acquisition) during the years ended December 28, 2014 and December 29, 2013 respectively.

Deferred Taxes

The components of deferred taxes consist of the following:

(in thousands of USD)	December 28, 2014	December 29, 2013
Deferred tax assets		
Net operating loss carryforwards	$ 14,307	$ 19,871
Exchange rate changes	(162)	62
Inventory	22,920	15,537
Stock options	5,571	3,836
Accruals and other provisions	5,161	5,343
Total deferred tax assets	$ 47,797	$ 44,649
Deferred tax liabilities		
Intangible assets	(48,456)	(50,478)
Exchange rate changes	(361)	
Depreciation	(2,673)	(3,342)
Total deferred tax liabilities	$ (51,490)	$ (53,820)
Total net deferred tax liabilities	$ (3,693)	$ (9,171)

Net operating loss carryforwards totalling approximately $141.0 million and $128.8 million at December 28, 2014 and December 29, 2013 respectively are available to reduce future taxable earnings of the Company's consolidated U.S. subsidiaries and certain European subsidiaries, respectively. Of this amount, as of December 28, 2014 and December 29, 2013, there is approximately $42.1 million and $58.4 million of recognised net operating loss carryforwards, with the remainder being unrecognized. These net operating loss carryforwards include $4.1 million with no expiration date; the remaining carryforwards have expiration dates between 2015 and 2034.

The Company has recorded a long-term income tax liability of approximately $2.3 million and $3.1 million at December 28, 2014 and December 29, 2013, respectively, related to uncertain tax positions from unclosed tax years in certain of its subsidiaries. These amounts represent the Company's best estimate of the potential additional tax liability related to these uncertain positions. To the extent that the results of any future tax audits differ from the Company's estimate, the impact of these differences will be reported as adjustments to income tax expense.

15. SHARE-BASED COMPENSATION

The Company recognizes the fair value of share-based awards granted in exchange for employee services as a cost of those services. Total compensation cost included in the consolidated statements of operations for employee share-based payment arrangements was $9.4 million and $8.0 million during the years ended December 28, 2014 and December 29, 2013 respectively. The increase in share-based compensation in 2013 was due to a change in the estimated forfeiture rate applied to unvested awards that resulted in $1.6 million of additional expense. The increase in 2014 related to the accelerated vesting of certain performance based restricted grants. The amount of expense related to non-employee options was $0.2 million and $0.3 million for the years ended December 28, 2014 and December 29, 2013, respectively. Additionally, $0.4 million and $0.4 million of these share-based compensation costs were included in inventory as a capitalized cost as of December 28, 2014 and December 29, 2013, respectively.

Stock Options

The weighted-average fair value of the Company's options granted to employees was $9.83 and $8.95 per share, in 2014 and 2013 respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model using the following weighted-average assumptions:

	December 28, 2014	December 29, 2013
Risk free interest rate	1.9%	1.7%
Expected life in years	6.1%	6.1%
Expected volatility	45.1%	46.6%
Expected dividend yield	0.0%	0.0%

A summary of the Company's employee stock option activity is as follows:

	Shares (in thousands)	Weighted-average exercise price ($)	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value (in millions) ($)
Outstanding at December 30, 2012	3,782	18.23	6.4	(7.3)
Granted	643	19.32		
Exercised	(1,454)	14.38		(2.0)
Forfeited or expired	(543)	22.51		
Outstanding at December 29, 2013	2,428	19.89	7.5	(3.9)
Granted	522	21.58		
Exercised	(197)	16.16		(1.2)
Forfeited or expired	(216)	21.19		
Outstanding at December 28, 2014	2,537	22.48	7.3	12.7
Exercisable at period end	1,408	20.57	6.0	7.0

The Company did not grant options to purchase ordinary shares to non-employees in the years ended December 28, 2014 and December 29, 2013. As of December 28, 2014, 103,208 non-employee options were exercisable, while 40,453 non-employee options were exercised in 2014 and 1,750 were forfeited. These options have vesting periods of either two or four years and expire 10 years after the grant date. The measurement date for options granted to non-employees is often after the grant date, which often requires updates to the estimate of fair value until the services are performed.

Total stock option-related compensation expense recognized in the consolidated statements of operations, including employees and non-employees, was approximately $4.5 million and $5.3 million for the years ended December 28, 2014 and December 29, 2013, respectively.

Restricted Stock Units Awards

The Company began to grant restricted stock units (RSUs) in 2011 under the 2010 Plan. Vesting of these awards typically occurs over a four-year period and the grant date fair value of the awards is recognized as expense over the vesting period.

In addition, the Company granted 100,000 performance-accelerated restricted stock units (PARS). The PARS are subject to a graded service-based vesting schedule of 50% vesting after two years, 25% after the third year and 25% after the fourth year, all of which can be accelerated upon the achievement of certain share price targets of the Company's ordinary shares. PARS are expensed on a straight-line basis over the shorter of the explicit service period related to the service condition or the implicit service period related to the performance condition, based on the probability of meeting the conditions. The grant date weighted-average fair value and related calculated vesting period of the PARS was $19.24 per share and 3.4 years, respectively.

Total compensation expense recognized in the consolidated statements of operations related to RSUs and PARS was $5.2 million and $3.0 million for the years ended December 28, 2014 and December 29, 2013, respectively.

A summary of the Company's activity related to the restricted stock units is as follows:

	Shares (in thousands)	Weighted-average grant date fair value per share ($)
Outstanding at December 30, 2012	422	20.57
Granted	323	19.25
Vested	(97)	16.40
Cancelled	(75)	22.03
Outstanding at December 29, 2013	573	19.54
Granted	364	20.87
Vested	(240)	19.77
Cancelled	(60)	19.18
Outstanding at December 28, 2014	637	20.23

16. COMMITMENTS

Leases

Future minimum rental commitments under non-cancellable operating leases in effect as of December 28, 2014 are as follows (in thousands of USD):

2015	$	5,761
2016		4,662
2017		4,109
2018		3,531
2019		2,246
Thereafter		5,824
Total	$	26,133

Operating leases include copiers, automobiles and property leases and have maturity dates between 2015 and 2024. Total rent expense for the years ended December 28, 2014 and December 29, 2013 was $6.1 million and $5.8 million, respectively.

Future lease payments under capital leases are as follows:

(in thousands of USD)	December 28, 2014
2015	$ 491
2016	367
2017	331
2018	277
2019	144
Thereafter	-
Total minimum lease payments	$ 1,610
Less amount representing interest	(13)
Present value of minimum lease payments	$ 1,597
Current portion	(428)
Long-term portion	$ 1,169

17. TOTAL REVENUE

The information disclosed in this note is required based on section 380, Part 9, Book 2 of the Netherlands Civil Code. The Company operates in one operating activity, orthopaedic products which includes the design, manufacture, marketing and sales of joint implants and other related products. The Company's geographic regions consist of the United States, France, and other international areas. Revenues attributed to each region are based on the location in which the products were sold.

(in thousands of USD)

	December 28, 2014	December 29, 2013
Revenue by product type:		
Upper extremity joints and trauma	$ 213,320	$ 184,457
Lower extremity joints and trauma	59,249	58,747
Sports medicine and biologics	14,173	14,752
Large joints and other	58,210	53,003
Total	$ 344,952	$ 310,959

Revenue by geographic region is as follows:

(in thousands of USD)

Revenue by geographic region:	December 28, 2014	December 29, 2013
United States	$ 199,285	$ 182,104
France	64,082	58,173
Other international	81,585	70,682
Total	$ 344,952	$ 310,959

18. OTHER (FINANCIAL) INCOME AND EXPENSES

(in thousands of USD)	December 28, 2014	December 29, 2013
Other interest income	$ 136	$ 245
Interest expense	(5,319)	(7,256)
Net interest expense	(5,183)	(7,011)
Other loss	(161)	(45)
Loss on impairment	(49)	(3,699)
Loss on extinguishment of debt	-	(1,127)
Foreign currency losses	(1,115)	(1,821)
	$ (6,508)	$ (13,703)

The Company's recorded interest expense decreased to $5.3 million in 2014 from $7.3 million in 2013 due primarily to the repayment of its $40.0 million Euro denominated term loan and a $10.5 million repayment of principal on the U.S. dollar denominated term loan in the second quarter of 2013.

In 2014, the Company recognized $1.1 million of foreign currency transaction loss primarily attributable to foreign currency exchange rate fluctuations on foreign currency denominated intercompany payables and receivables.

The Company recorded $1.1 million in loss on extinguishment of debt for 2013 related to the write-off of a debt discount on the repayment of its Euro denominated term loan. (See Note 3 for discussion relating to loss on impairment).

19. FINANCIAL INSTRUMENTS

General

The information included in the notes on financial instruments is useful in estimating the extent of risks relating to both on-balance-sheet and off-balance-sheet financial instruments.

The Company's primary financial instruments, not being derivatives, serve to finance the Company's operating activities or directly arise from these activities. The Company also enters into derivative contracts, particularly foreign currency forward contracts, to hedge foreign exchange risks arising from the Company's operating activities. The Company's policy is not to trade in financial instruments.

The principal risks arising from the Company's financial instruments are credit risks, liquidity risks, cash flow risks, and price risks, which are comprised of foreign currency, interest rate and market risks. The Company's policy to mitigate these risks is set out below.

Foreign Currency Risk

The Company is exposed to foreign currency risks arising from purchase and sales transactions denominated in a currency (Euro) other than the respective group entity's functional currency. The Company periodically enters into forward currency contracts to hedge the foreign exchange risks from foreign currency-denominated intercompany payable and receivable balances. It is the Company's policy to ensure forward currency contracts do not exceed the Company's net exposure on intercompany receivable balances denominated in a foreign currency.

In 2014, approximately 74% of the Company's revenues denominated in foreign currencies were derived from European Union countries and were denominated in Euros. Starting in 2012, the Company began entering into forward contracts to manage its exposure to foreign currency transaction gains (losses). As it relates to one of the Company's U.S. operating entities, Tornier Inc., the Company has entered into forward contracts to manage the foreign currency exposures to the Euro. As it relates to the Company's French operating entity, Tornier SAS, the Company has entered into forward contracts to manage the foreign currency exposure to the Australian Dollar, British Pound, Canadian Dollar, Japanese Yen, and Swiss Franc. Forward contracts are recorded on the consolidated balance sheet at fair value. At December 28, 2014, the Company had foreign currency forward contracts outstanding with a fair value of $(0.5) million recorded within accrued liabilities on the consolidated balance sheet. These contracts are accounted for as economic hedges and accordingly, changes in fair value are recognized in foreign currency transaction gain (loss). The net gain (loss) on foreign exchange forward contracts is recognized in foreign currency transaction gain (loss). For the years ended December 28, 2014 and December 29, 2013, the Company recognized losses of $2.7 million and gains of $0.4 million, respectively related to these forward currency contracts.

Interest Rate Risk

Borrowings under the Company's revolving credit facility and U.S. dollar denominated term loan bear interest at variable rates. As of December 28, 2014, the Company had $6.0 million of borrowings under the revolving credit facility and $61.7 million in borrowings under the U.S. dollar denominated term loan, net of the unamortized discount, and $7.8 million of other debt. Based upon this debt level, and the LIBOR floor on the Company's interest rate, a 100 basis point increase in the annual interest rate on such borrowings would have an immaterial impact on it's interest expense on an annual basis.

At the Company's option, borrowings under the revolving credit facility and U.S. dollar denominated term loan facility bear interest at (a) the alternate base rate (if denominated in U.S. dollars), equal to the greatest of (i) the prime rate in effect on such day, (ii) the federal funds rate in effect on such day plus 1/2 of 1%, and (iii) the adjusted LIBO rate plus 1%, plus in the case of each of (i)-(iii) above, an applicable rate of 2.00% or 2.25% (depending on the total net leverage ratio as defined in the credit agreement), or (b) the applicable adjusted LIBO rate for the relevant interest period plus an applicable rate of 3.00% or 3.25% (depending on the total net leverage ratio), plus

the mandatory cost (as defined in the credit agreement) if such loan is made in a currency other than U.S. dollars or from a lending office in the United Kingdom or a participating member state (as defined in the credit agreement).

At December 28, 2014, the Company's cash and cash equivalents were $27.9 million. Based on the annualized average interest rate, a 10% decrease in the annual interest rate on such balances would result in an immaterial impact on interest income on an annual basis.

Market Risk

The Company is exposed to various market risks, which may result in potential losses arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rate fluctuations. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. The Company believes there is no exposure to a material market risk with respect to invested cash and cash equivalents.

Credit Risk

The Company trades only with creditworthy parties and has procedures to check their creditworthiness. The Company has established guidelines for limiting the credit risk associated with each party. Furthermore, the Company's primary customers consist of healthcare institutions, many of which are government owned, for which credit risk is low. In addition, there are no significant concentrations of credit risk within the Company.

Liquidity Risk

The Company has a cash and cash equivalent balance of approximately $27.9 million as of December 28, 2014, along with $24.0 million of available credit under the revolving credit facility, and believes this will be sufficient to fund the working capital requirements and operations during the next twelve months.

20. EMPLOYEE INFORMATION

(in thousands of USD)	December 28, 2014	December 29, 2013
Wages and salaries	$ 111,185	$ 86,319
Social security costs	19,101	17,748
Pension costs	382	248
	$ 130,668	$ 104,315

The average number of staff employed outside of the Netherlands by the Group in 2014 and 2013 was 1,109 and 1,083 respectively. The number of staff employed by the Netherlands in 2014 and 2013 was 12 and 8, respectively. Share-based payment expense has been disclosed in Note 15.

21. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company leases all of its approximately 55,000 square feet of manufacturing facilities and approximately 52,000 square feet of office space located in Montbonnet, France, from Alain Tornier (Mr. Tornier), who is a current shareholder and member of the Company's board of directors. Annual lease payments to Mr. Tornier amounted to $1.2 million and $1.1 million during the years ended December 28, 2014 and December 29, 2013 respectively.

On July 29, 2008, the Company formed a real estate holding company (SCI Calyx) together with Mr. Tornier. SCI Calyx is owned 51% by the Company and 49% by Mr. Tornier. SCI Calyx was initially capitalized by a contribution of capital of €10,000 funded 51% by the Company and 49% by Mr. Tornier. SCI Calyx then acquired a combined manufacturing and office facility in Montbonnot, France, for approximately $6.1 million. The manufacturing and office facility acquired was to be used to support the manufacture of certain of the Company's current products and house certain operations already located in Montbonnot, France. This real estate purchase was

funded through mortgage borrowings of $4.1 million and $2.0 million cash borrowed from the two current shareholders of SCI Calyx. The $2.0 million cash borrowed from the SCI Calyx shareholders originally consisted of a $1.0 million note due to Mr. Tornier and a $1.0 million note due to Tornier SAS, which is the Company's wholly owned French operating subsidiary. Both of the notes issued by SCI Calyx bear annual interest at the three-month Euro Libor rate plus 0.5% and have no stated term. During 2010, SCI Calyx borrowed approximately $1.4 million from Mr. Tornier in order to fund on-going leasehold improvements necessary to prepare the Montbonnot facility for its intended use. This cash was borrowed under the same terms as the original notes. On September 3, 2008, Tornier SAS, the Company's French operating subsidiary, entered into a lease agreement with SCI Calyx relating to these facilities. The agreement, which terminates in 2018, provides for an annual rent payment of €440,000, which has subsequently been increased and is currently €959,712 annually. As of December 28, 2014, future minimum payments under this lease were €4.6 million in the aggregate. As of December 28, 2014, SCI Calyx had related-party debt outstanding to Mr. Tornier of $2.2 million. The SCI Calyx entity is consolidated by the Company, and the related real estate and liabilities are included in the consolidated balance sheet.

Since 2006, Tornier SAS has entered into various lease agreements with entities affiliated with Mr. Tornier or members of his family. On December 29, 2007, Tornier SAS entered into a lease agreement with Mr. Tornier and his spouse, relating to the Company's museum in Saint Villa, France. The agreement provides for a term through May 30, 2015 and an initial annual rent payment of €28,500, which was subsequently decreased to €14,602. On December 29, 2007, Tornier SAS entered into a lease agreement with Animus SCI, relating to the Company's facilities in Montbonnot Saint Martin, France. On August 18, 2012, the parties amended the lease agreement to extend the term until May 31, 2022 and reduce the annual rent. The amended agreement provides for an initial annual rent payment of €279,506, which was subsequently increased to €290,034. Animus SCI is wholly owned by Mr. Tornier. On February 6, 2008, Tornier SAS entered into a lease agreement with Balux SCI, effective as of May 22, 2006, relating to the Company's facilities in Montbonnot Saint Martin, France. On August 18, 2012, the parties amended the lease agreement to extend the term until May 31, 2022 and reduce the annual rent. The amended agreement provides for an initial annual rent payment of €252,254, which was subsequently increased to €560,756. Balux SCI is wholly owned by Mr. Tornier and his sister, Colette Tornier. As of December 28, 2014, future minimum payments under all of these agreements were €8.1 million in the aggregate.

22. FULLY CONSOLIDATED COMPANIES

All companies are wholly-owned by Tornier N.V. unless stated otherwise.

Felding Finance B.V. (The Netherlands)
Mediann Invest Company BVBA (Belgium)
Mediann N.V. (Belgium)*
OrthoHelix Surgical Designs, Inc. (United States)
SCI Calyx (France)**
TMG France SNC (France)***
Tornier, Inc. (United States)
Tornier AG (Switzerland)****
Tornier Espana S.A. (Spain)****
Tornier do Brasil Produtos Medicos Ltda (Brazil)
Tornier GmbH (Germany)****
Tornier Japan K.K. (Japan)
Tornier Orthopedics, Inc. (Canada)
Tornier Orthopaedics Ireland, Ltd. (Ireland)
Tornier Pty Ltd. (Australia)****
Tornier SAS (France)****
Tornier Scandinavia A/S (Denmark)
Tornier Srl (Italy)****
Tornier UK, Ltd. (United Kingdom)
Tornier US Holdings, Inc. (United States)
Trooper Holdings Inc. (United States)
Trooper Merger Sub Inc. (United States)

* 99% owned by Mediann Invest Company BVBA and 1% owned by Tornier N.V.
** 51% ownership indirectly by Tornier N.V. and Felding Finance B.V.
*** 99.5% owned by Tornier N.V., 0.5% by Felding Finance B.V.
**** 99.5% owned indirectly by Tornier N.V., 0.5% by Felding Finance B.V.

23. LITIGATION

From time to time, the Company is subject to various pending or threatened legal actions and proceedings, including those that arise in the ordinary course of its business. These actions and proceedings may relate to, among other things, product liability, intellectual property, distributor, commercial and other matters. Such matters are subject to many uncertainties and to outcomes that are not predictable with assurance and that may not be known for extended periods of time. The Company records a liability in its consolidated financial statements for costs related to claims, including future legal costs, settlements and judgments, where the Company has assessed that a loss is probable and an amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company records the most probable estimate of the loss. The Company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that material loss may be have been incurred.

On November 25, 2014, a class action complaint was filed in the Chancery Court of Shelby County Tennessee, for the Thirtieth Judicial District, at Memphis (the Tennessee Chancery Court), by a purported shareholder of Wright under the caption *Anthony Marks as Trustee for Marks Clan Super v. Wright Medical Group, Inc., Gary D. Blackford, Martin J. Emerson, Lawrence W. Hamilton, Ronald K. Labrum, John L. Miclot, Robert J. Palmisano, Amy S. Paul, Robert J. Quillinan, David D. Stevens, Douglas G. Watson, Tornier N.V., Trooper Holdings Inc., and Trooper Merger Sub Inc., No. CH-14-1721-1,* followed by an amended complaint filed on January 7, 2015 with the same caption. The complaint names as defendants Wright, Tornier, Trooper Holdings Inc., ("Holdco"), Trooper Merger Sub ("Merger Sub") and the members of the Wright board of directors. The complaint asserts various causes of action, including, among other things, that the members of the Wright board of directors breached their fiduciary duties owed to the Wright shareholders in connection with entering into the merger agreement and approving the merger and causing Wright to issue a preliminary Form S-4 registration statement that purportedly fails to disclose allegedly material information about the merger. The complaint further alleges that Wright, Tornier, Holdco and Merger Sub aided and abetted the breaches of fiduciary duties by the Wright board of directors. The plaintiff is seeking, among other things, injunctive relief enjoining or rescinding the merger and an award of attorneys' fees and costs.

Also on November 25, 2014, a second class action complaint was filed in the Court of Chancery of the state of Delaware (the Delaware Court) by a purported shareholder of Wright under the caption *Paul Parshall v. Wright Medical Group, Inc., Gary D. Blackford, Martin J. Emerson, Lawrence W. Hamilton, Ronald K. Labrum, John L. Miclot, Robert J. Palmisano, Amy S. Paul, Robert J. Quillinan, David D. Stevens, Douglas G. Watson, Tornier N.V., Trooper Holdings Inc., and Trooper Merger Sub Inc., No. 10400-CB* , followed by an amended complaint filed on January 5, 2015 with the same caption. The complaint names as defendants Wright, Tornier, Holdco, Merger Sub and the members of the Wright board of directors. The complaint asserts various causes of action, including, among other things, that the members of the Wright board of directors breached their fiduciary duties owed to the Wright shareholders in connection with entering into the merger agreement and approving the merger and causing Wright to issue a preliminary Form S-4 registration statement that purportedly fails to disclose allegedly material information about the merger. The complaint further alleges that Wright, Tornier, Holdco and Merger Sub aided and abetted the breaches of fiduciary duties by the Wright board of directors. The plaintiff is seeking, among other things, injunctive relief enjoining or rescinding the merger and an award of attorneys' fees and costs.

On November 26, 2014, a third class action complaint was filed in the Circuit Court of Tennessee, for the Thirtieth Judicial District, at Memphis (the Tennessee Circuit Court), by a purported shareholder of Wright under the caption *City of Warwick Retirement System v. Gary D. Blackford, Martin J. Emerson, Lawrence W. Hamilton, Ronald K. Labrum, John L. Miclot, Robert J. Palmisano, Amy S. Paul, Robert J. Quillinan, David D. Stevens, Douglas G. Watson, Wright Medical Group, Tornier N.V., Trooper Holdings Inc., and Trooper Merger Sub Inc., No. CT-005015-14*, followed by an amended complaint filed on January 5, 2015 with the same caption. The complaint names as defendants Wright, Tornier, Holdco, Merger Sub and the members of the Wright board of directors. The complaint asserts various causes of action, including, among other things, that the members of the

Wright board of directors breached their fiduciary duties owed to the Wright shareholders in connection with entering into the merger agreement and approving the merger and causing Wright to issue a preliminary Form S-4 registration statement that purportedly fails to disclose allegedly material information about the merger. The complaint further alleges that Tornier, Holdco and Merger Sub aided and abetted the alleged breaches of fiduciary duties by the Wright board of directors. The plaintiff is seeking, among other things, injunctive relief enjoining or rescinding the merger and an award of attorneys' fees and costs.

On December 2, 2014, a fourth class action complaint was filed in the Tennessee Chancery Court by a purported shareholder of Wright under the caption *Paulette Jacques v. Wright Medical Group, Inc., Tornier N.V., Trooper Holdings Inc., Trooper Merger Sub Inc., David D. Stevens, Gary D. Blackford, Martin J. Emerson, Lawrence W. Hamilton, Ronald K. Labrum, John L. Miclot, Robert J. Palmisano, Amy S. Paul, Robert J. Quillinan, and Douglas G. Watson, No. CH-14-1736-1*, followed by an amended complaint filed on January 27, 2015, which added Warburg Pincus LLC (Warburg) as a defendant. Besides Warburg, the complaint also names as defendants Wright, Tornier, Holdco, Merger Sub and the members of the Wright board of directors. The complaint asserts various causes of action, including, among other things, that the members of the Wright board of directors breached their fiduciary duties owed to the Wright shareholders in connection with entering into the merger agreement approving the merger and causing Wright to issue a preliminary Form S-4 registration statement that purportedly fails to disclose allegedly material information about the merger. The complaint further alleges that Wright, Tornier, Holdco, Merger Sub and Warburg aided and abetted the alleged breaches of fiduciary duties by the Wright board of directors. The plaintiff is seeking, among other things, injunctive relief enjoining or rescinding the merger and an award of attorneys' fees and costs. None of these lawsuits has formally specified an amount of alleged damages. As a result, Tornier is unable to reasonably estimate the possible loss or range of losses, if any, arising from the lawsuits. If any injunctive relief sought in these lawsuits were to be granted, it could delay or prohibit the anticipated shareholder meetings to be held by Wright and Tornier in connection with the merger or the closing of the merger. Tornier believes that these lawsuits are without merit and intends to contest them vigorously.

In the opinion of management, as of December 28, 2014, the amount of liability, if any, with respect to these matters, individually or in the aggregate, will not materially affect the Company's consolidated results of operations, financial position or cash flows.

COMPANY FINANCIAL STATEMENTS

A. COMPANY BALANCE SHEET

(in thousands of USD, after appropriation of result)

	December 28, 2014	December 29, 2013
ASSETS		
Fixed assets		
Financial (Note 2)	$ 404,676	$ 448,221
Tangible (Note 3)	889	683
Total fixed assets	$ 405,565	$ 448,904
Current assets		
Prepaid expenses	$ 29	$ 17
Inventories (Note 4)	2,274	2,136
Receivables (Note 5)	14,241	1,736
Cash (Note 6)	4,333	33,231
Total current assets	$ 20,877	$ 37,120
Total assets	$ 426,442	$ 486,024
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity (Note 7)		
Share capital	$ 1,796	$ 1,791
Additional paid-in capital	786,240	772,370
Legal reserves	20,008	49,935
Accumulated losses	(385,651)	(340,818)
Total shareholders' equity	$ 422,393	$ 483,278
Current liabilities (Note 8)	4,049	2,746
Total liabilities and shareholders' equity	$ 426,442	$ 486,024

B. COMPANY STATEMENT OF OPERATIONS

(in thousands of USD)

	December 28, 2014	December 29, 2013
Net loss from investments	$ (36,019)	$ (54,420)
Other, net	(10,540)	(9,741)
Net loss	$ (46,559)	$ (64,161)

C. NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are the same as those described in the notes to the consolidated financial statements.

Investments in subsidiary companies are stated at the Company's share in their net asset value. While the Company's functional currency is the Euro, the Company reports (presentation currency) both its company-only and consolidated financial statements in U.S. dollars as the majority of the shareholders are located in the United States. As a result, there is a cumulative translation adjustment included in shareholders' equity reflecting translation of the Company's financial statements into its reporting currency. Please refer to note 2 of the consolidated financial statements for further information.

As permitted by Section 402, Book 2 of the Dutch Civil Code, a condensed statement of operations is presented within the Company financial statements.

2. FINANCIAL FIXED ASSETS

(in thousands of USD)	December 28, 2014	December 29, 2013
Investment in subsidiaries	$ 284,788	$ 313,144
Participating loans	80,438	90,938
Loans to subsidiaries	39,450	44,139
Total financial fixed assets	$ 404,676	$ 448,221

The movements during the years ended December 28, 2014 and December 29, 2013 were as follows:

(in thousands of USD)	Investment in subsidiaries	Participating loans	Loans to subsidiaries	Total
Net book value at December 29, 2013	$ 313,144	$ 90,938	$ 44,139	$ 448,221
Additions	17,435	-	-	17,435
Loan funding	-	-	444	444
Share of net profit	(36,019)	-	-	(36,019)
Translation adjustment	(9,772)	(10,500)	(5,133)	(25,405)
Balance at December 28, 2014	$ 284,788	$ 80,438	$ 39,450	$ 404,676

(in thousands of USD)

	Investment in subsidiaries	Participating loans	Loans to subsidiaries	Total
Net book value at December 30, 2012	$ 325,887	$ 86,354	$ 1,924	$ 414,165
Additions	36,032	-	-	36,032
Loan funding	-	433	40,487	40,920
Share of net profit	(54,420)	-	-	(54,420)
Translation adjustment	5,645	4,151	1,728	11,524
Balance at December 29, 2013	$ 313,144	$ 90,938	$ 44,139	$ 448,221

3. TANGIBLE FIXED ASSETS

(in thousands of USD)	December 28, 2014	December 29, 2013
Instruments	$ 643	$ 639
Furniture, fixtures, and office equipment	246	44
Total tangible fixed assets	$ 889	$ 683

The movements during the years ended December 28, 2014 and December 29, 2013 were as follows:

(in thousands of USD)	Instruments	Other	Total
Net book value at December 29, 2013	$ 639	$ 44	$ 683
Additions/transfers	291	215	506
Depreciation expense for the year	(206)	11	(195)
Translation adjustment	(81)	(24)	(105)
Net book value at December 28, 2014	$ 643	$ 246	$ 889
Accumulated depreciation at December 28, 2014	$ (1,256)	$ (117)	$ (1,373)

(in thousands of USD)	Instruments	Other	Total
Net book value at December 30, 2012	$ 611	$ 38	$ 649
Additions/transfers	207	29	236
Depreciation expense for the year	(256)	(30)	(286)
Translation adjustment	77	7	84
Net book value at December 29, 2013	$ 639	$ 44	$ 683
Accumulated depreciation at December 29, 2013	$ (1,206)	$ (144)	$ (1,350)

Depreciation expense recorded on tangible fixed assets was $0.1 million and $0.3 million during the years ended December 28, 2014 and December 29, 2013 respectively.

4. INVENTORIES

Inventories comprise of finished goods only during the years ended December 28, 2014 and December 29, 2013 respectively.

5. RECEIVABLES

(in thousands of USD)	December 28, 2014	December 29, 2013
Trade receivables	$ 492	$ 631
Other receivables	13,343	652
Interest receivable	406	453
	$ 14,241	$ 1,736

The Company did not recognize an allowance for doubtful accounts as of December 28, 2014 and December 29, 2013.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents relate to cash at banks and in hand and are available on demand. No restrictions on cash exist.

7. SHAREHOLDERS' EQUITY

(in thousands of USD)	Share capital	Additional paid-in capital	Legal reserve	Accumulated losses	Total
Net book value at December 29, 2013	$ 2,011	$ 772,370	$ 49,935	$ (341,038)	$ 483,278
Issuance of ordinary shares related to share-based payment plans	19	4,242	-	-	4,261
Net loss	-	-	-	(46,559)	(46,559)
Share-based compensation	-	9,628	-	-	9,628
Legal reserves	-	-	(95)	95	-
Capitalized development costs	-	-	(1,617)	1,617	-
Translation	(234)	-	(28,215)	234	(28,215)
Net book value at December 28, 2014	$ 1,796	$ 786,240	$ 20,008	$ (385,651)	$ 422,393

(in thousands of USD)	Share capital	Additional paid-in capital	Legal reserve	Accumulated losses	Total
Net book value at December 30, 2012	$ 1,635	$ 663,872	$ 40,982	$ (284,318)	$ 422,171
Issuance of ordinary shares	202	78,497	-	-	78,699
Issuance of ordinary shares related to share-based payment plans	64	21,671	-	-	21,735
Net loss	-	-	-	(64,161)	(64,161)
Share-based compensation	-	8,330	-	-	8,330
Legal reserves	-	-	32	(32)	-
Capitalized development costs	-	-	(7,893)	7,893	-
Translation	110	-	16,814	(420)	16,504
Net book value at December 29, 2013	$ 2,011	$ 772,370	$ 49,935	$ (341,038)	$ 483,278

On December 28, 2014 and December 29, 2013, the authorized capital was €5,250,000, consisting of 175,000,000 ordinary shares of €0.03 each of which 48,974,449 and 48,508,612 ordinary shares had been issued and paid up, respectively. The issued and fully paid share capital has been translated into U.S. dollars at the year-end exchange rate. At December 28, 2014, the exchange rate was €1 = $1.2219. There were no shareholder contributions in 2014 and 2013. In 2013, the Company completed a secondary offering for the issuance of 5,175,000 shares of common stock that resulted in net proceeds to the Company of $78.7 million.

Legal Reserve

The Company has recorded a total legal reserve equal to the amount of capitalized development expenses of $29.6 million and $32.8 million at December 28, 2014 and December 29, 2013 respectively.

Legal reserves also include the foreign currency gain from translating all net assets at the spot exchange rate at each balance sheet date and all items related to earnings at the average exchange rates during the period. The change in the legal reserve balance related to foreign currency gains (losses) was $-28.2 million and $16.8 million at December 28, 2014 and December 29, 2013 respectively. The remaining legal reserves are related to subsidiaries of Tornier in which earnings cannot be distributed under legislation in the various countries. The change in the legal reserve held in various subsidiaries totalled less than $0.1 million in both 2014 and 2013.

8. CURRENT LIABILITIES

The current liabilities consist of intercompany payables due to the Company's French and U.S. subsidiaries, VAT-related liabilities as well as miscellaneous accrued liabilities.

9. GUARANTEES

As part of the acquisition of DVO and Nexa, the Company has guaranteed the representations, warranties, covenants and obligations of Tornier U.S. Holdings, Inc. (a wholly-owned subsidiary of the Company) and full and timely performance of Tornier U.S. Holdings, Inc.'s obligations under the related purchase agreements.

10. EMPLOYEE INFORMATION

The average number of staff employed by the Company in 2014 and 2013 was 12 and 8 respectively.

11. AUDIT FEE

With reference to Section 2:382a (1) and (2) of the Dutch Civil Code, the fees for the financial year charged by the Company's auditors, Ernst & Young, to the Company, its subsidiaries and other consolidated entities are as follows:

2014	EY Fees the Netherlands	EY Fees Rest of the World	Total
Audit fees	$ 115,344	$ 1,361,971	$ 1,477,315
Audit-related fees	-	473,064	473,064
Other non-audit fees	-	-	1,995
Total	**$ 115,344**	**$ 1,835,035**	**$ 1,952,374**
2013			
Audit fees	$ 92,281	$ 1,362,639	$ 1,454,920
Other non-audit fees	-	1,995	1,995
Total	**$ 92,281**	**$ 1,364,634**	**$ 1,456,915**

12. SUBSEQUENT EVENTS

Credit Facility

On March 13, 2015 we entered into an incremental Term Facility Amendment to our existing credit facility. Under terms of the agreement the senior secured term loan facility denominated in U.S. Dollars available to Tornier was increased by an additional aggregate principle amount of $10 million with the amortization schedule revised to reflect the additional term loan advance. The proceeds will be used to pay fees and costs of the amendment and for general corporate purposes. The amendment provides for no other changes to covenants or events of default under the credit facility, and provides for no change to any guaranty or collateral relating to the agreement.

Proposed Merger with Wright Medical Group, Inc.

As disclosed in the Board of Director's Report and financial statements, Tornier N.V. has entered into an agreement and plan of merger with Wright Medical Group, Inc. in the 2014 financial year. The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, an indirect wholly owned subsidiary of Tornier N.V. will merge with and into Wright, with Wright continuing as the surviving company and becoming an indirect wholly owned subsidiary of our company following the transaction. Reference is made to page 5 of the Financial Statements.

Dutch Accounting Standards requires the Company to determine the classification of the transaction as either an acquisition (with the application of 'purchase accounting') or as an uniting of interest (with the application of the 'pooling of interests' method). As of the time of writing a more in depth-analysis is needed to determine the appropriate accounting treatment. In addition, assessment of transaction fair values (in case of the purchase method) should be made and reconciliations of Wright US GAAP based accounting policies and valuations towards NL GAAP accounting policies and valuations have to be made.

As of the date of preparation of these financial statements a number of uncertainties exist which prohibit a substantiated preliminary conclusion on both the conclusion of the proper classification of the transaction and fair value and NL GAAP adjustments respectively. As a result of this, Tornier N.V. is not in a position to present additional information on the estimated impact of the merger in 2015.

For information purposes, the Wright Medical Group, Inc. U.S. GAAP financial statements can be found on their website.

13. REMUNERATION OF THE MANAGING AND SUPERVISORY DIRECTORS

Executive Director Compensation

The remuneration policy is discussed in the Directors Compensation section of the annual report. The following table shows compensation expense of Tornier's executive director, for the fiscal year ended December 28, 2014 and December 29, 2014 in U.S. dollars.

	Year	Salary (1) ($)	Stock Awards ($)	Option Expense ($)	Non-equity Incentive Plan Compensation (2) ($)	All Other Compensation (3) ($)	Total ($)
David H. Mowry	2014	548,613	429,597	415,677	513,999	7,350	1,915,236
(President, Chief Executive Officer and Director)	2013	444,334	273,635	267,451	106,285	27,673	1,119,378

(1) Mr. Mowry was appointed as President and Chief Executive Officer effective February 12, 2013. From June 27, 2013 and through December 29, 2013, 5% of Mr. Mowry's annual base salary was allocated to his service as a member of Tornier's board of directors.

(2) Represents amounts paid under Tornier's corporate performance incentive plan. The amount reflected for each year reflects the amounts earned for that year but paid during the following year.

(3) The amounts shown in this column for 2014 include the retirement benefits paid to Mr. Mowry.

The following table sets forth summary information regarding all option expense and non-equity incentive plan awards made to Tornier's executive director for the year ended December 28, 2014 in U.S. dollars.

			Estimated future payouts under non-equity incentive plan awards			All other stock award: number of shares or stock units	All other option awards: number of securities underlying options	Exercise or base price of option ($/Sh)	Grant date fair value stock and option awards ($)
Name	Grant Date	Board Approval Date	Threshold ($)	Target ($)	Maximum ($)				
David H. Mowry									
Cash incentive award	N/A	02/13/14	21,945	438,830	658,336				
Stock option	08/12/14	07/22/14					66,373	21.66	655,281
Stock grant	08/12/14	07/22/14				30,009			649,995

The following table sets forth summary information regarding the outstanding equity awards held by Tornier's executive director at December 28, 2014.

	Option Awards				Stock Awards	
Name	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Option exercise price ($)	Option expiration date (1)	Number of units that have not vested (2)	Market value of units that have not vested (3) ($)
David H. Mowry	39,398	9,092	23.60	08/12/2021		
	13,142	10,223	18.00	08/10/2022		
	7,641	9,825	17.30	02/26/2023		
	19,080	41,977	19.50	08/09/2023		
	-	66,373	21.70	08/12/2024		
					66,750	1,699,435

(1) All option awards have a 10-year term, but may terminate earlier if the recipient's employment or service relationship with Tornier's company terminates.

(2) The release dates and release amounts for the unvested stock awards are as follows:

Name	June 1, 2015	June 1, 2016	February 26, 2017	June 1, 2017	February 26, 2018	June 1, 2018
David H. Mowry	24,777	19,900	-	14,570	-	7,503

If a change in control of Tornier's company occurs, all issuance conditions on all outstanding stock grants will be deemed satisfied; provided, however, that if any such issuance condition relates to satisfying any performance goal and there is a target for the goal, the issuance or condition will be deemed satisfied generally only to the extent of the stated target.

(3) The market value of stock grants that had not vested as of December 28, 2014 is based on the per share closing sale price of Tornier's ordinary shares, as reported by the NASDAQ Global Select Market, on the last trading day of the Company's fiscal year end, December 26, 2014 ($25.46).

Non-Executive Director Compensation

The following table sets forth summary information regarding the compensation for Tornier's non-executive directors at December 28, 2014 in U.S. dollars.

Name	Fees earned or paid in cash	Stock awards	Option awards	All other compensation	Total
Sean D. Carney	$ 120,000	$ 172,544	$ 59,572	$ 8,000	$ 360,116
Richard B. Emmitt	55,000	111,094	59,572	8,000	233,666
Kevin C. O'Boyle	70,000	59,089	59,572	6,000	194,661
Alain Tornier	40,000	96,907	59,572	-	196,479
Richard F. Wallman	70,000	59,089	59,572	8,000	196,661
Elizabeth H. Weatherman	45,000	101,629	59,572	8,000	214,201

Director Compensation

Under the terms of the Tornier board of directors compensation policy, which was approved by the general meeting of the Tornier shareholders on August 26, 2010 and was amended on October 28, 2010, the compensation packages for Tornier's non-executive directors are determined by Tornier's non-executive directors, based upon recommendations by the compensation committee. Such compensation is determined by Tornier's non-executive directors pursuant to the terms of Tornier's articles of association which provide that if all directors have a conflict of interest in the matter to be acted upon, the matter shall be approved by the non-executive directors. In determining non-executive director compensation, Tornier targets such compensation in the market median range of Tornier's peer companies; although, Tornier may deviate from the median if Tornier determines necessary or appropriate on a case by case basis.

Under the terms of Tornier's non-executive director compensation policy, compensation for Tornier's non-executive directors is comprised of both cash compensation and equity-based compensation. Cash compensation is in the form of annual or other retainers for non-executive directors, chairman, committee chairs and committee members. Equity-based compensation is in the form of initial and annual stock option and stock grants (in the form of restricted stock units). Each of these components is described in more detail below. Tornier does not generally provide perquisites and other personal benefits to Tornier's non-executive directors.

During 2014, Tornier's compensation committee engaged Mercer to review Tornier's non-executive director compensation program. In so doing, Mercer analyzed the outside director compensation levels and practices of Tornier's peer companies. Mercer used the same peer group as was approved by the compensation committee in February 2013 and used to gather compensation information for Tornier's executive officers, with the exception that Heartware International, Inc. was substituted for Conceptus, Inc. Based on Mercer's recommendations, the compensation committee recommended and the Tornier board of directors approved no changes to Tornier's non-executive director compensation policy during 2014. Tornier's non-executive director compensation policy is consistent with its shareholder-approved board of directors compensation policy.

The cash compensation component of Tornier's non-executive director compensation consists of gross annual fees, commonly referred to as annual cash retainers, paid to each non-executive director and additional annual cash retainers paid to the chairman and each board committee chair and member. The table below sets forth the annual cash retainers paid to each non-executive director and the additional annual cash retainers paid to the chairman and each board committee chair and member:

Description	Annual cash retainer ($)
Non-executive director	40,000
Chairman premium	50,000
Audit committee chair premium	15,000
Compensation committee chair premium	10,000
Nominating, corporate governance and compliance committee chair premium	5,000
Strategic transactions committee chair premium	10,000
Audit committee member (including chair)	10,000
Compensation committee member (including chair)	5,000
Nominating, corporate governance and compliance committee member (including chair)	5,000
Strategic transactions committee member (including chair)	5,000

The annual cash retainers are paid on a quarterly basis in arrears within 30 days of the end of each calendar quarter. For example, the retainers for the first calendar quarter covering the period from January 1 through March 31 are paid within 30 days of March 31.

In addition, each non-executive director, other than Mr. Tornier, receives a cash travel stipend of $2,000 for each board meeting attended in person that takes place in the Netherlands or other location outside the United States.

Equity-Based Compensation

The equity-based compensation component of Tornier's non-executive director compensation consists of initial stock option and stock grants (in the form of restricted stock units) to new non-executive directors upon their first appointment or election to the Tornier board of directors and annual stock option and stock grants (in the form of restricted stock units) to all non-executive directors on the same date that annual performance recognition grants of equity awards are made to Tornier's employees (or such other date if otherwise in accordance with all applicable, laws, rules and regulations). Non-executive directors, upon their initial election to the Tornier board of directors and on an annual basis thereafter effective as of the same date that annual performance recognition grants of equity awards are made to Tornier's employees (or such other date if otherwise in accordance with all applicable, laws, rules and regulations), receive $125,000, one-half of which is paid in stock options and the remaining one-half of which is paid in stock grants (in the form of restricted stock units). The number of Tornier ordinary shares underlying the stock options and stock grants is determined based on the 10-trading day average closing sale price of a Tornier ordinary share, as reported by the NASDAQ Global Select Market, and as determined one week prior to the date of anticipated corporate approval of the award. The stock options have a term of 10 years and a per share

exercise price equal to 100% of the fair market value of a Tornier ordinary share on the grant date. The stock options and stock grants (in the form of restricted stock units) vest over a two-year period, with one-half of the underlying shares vesting on each of the one-year and two-year anniversaries of the grant date, in each case so long as the director is still a director as of such date.

Accordingly, on August 12, 2014, each of Tornier's non-executive directors received a stock option to purchase 6,034 Tornier ordinary shares at an exercise price of $21.66 per share and a stock grant in the form of a restricted stock unit representing 2,728 Tornier ordinary shares.

Election to Receive Equity-Based Compensation in Lieu of Cash Compensation

Tornier's non-executive director compensation policy allows Tornier's non-executive directors to elect to receive a stock grant in lieu of 100% of their annual cash retainers payable for services to be rendered as a non-executive director, chairman and chair or member of any board committee. Each non-executive director who elects to receive a stock grant in lieu of such director's annual cash retainers is granted a stock grant (in the form of a restricted stock unit) under Tornier's stock incentive plan for that number of Tornier ordinary shares as determined by dividing the aggregate dollar amount of all annual cash retainers anticipated to payable to such director for the period commencing on July 1 of each year to June 30 of the following year by the 10-trading day average closing sale price of Tornier ordinary shares as reported by the NASDAQ Global Select Market and as determined one week prior to the date of anticipated corporate approval of the award. Four of Tornier's non-executive directors elected to receive such a stock grant in lieu of their cash retainers for the period covering July 1, 2013 through June 30, 2014, and the same four non-executive directors elected to receive such a stock grant in lieu of their cash retainers for the period covering July 1, 2014 through June 30, 2015. Accordingly, effective as of August 9, 2013 and August 12, 2014, these four non-executive directors received stock grants.

If a non-executive director who elected to receive a stock grant in lieu of such director's annual cash retainers is no longer a director before such director's interest in all of the Tornier ordinary shares underlying the stock grant have vested and become issuable, then such director will forfeit his or her rights to receive all of the shares underling such stock grant that have not vested and been issued as of the date such director's status as a director so terminates. In such case, the non-executive director will receive in cash a pro rata portion of his or her annual cash retainers for the quarter in which the director's status as a director terminates.

If a non-executive director who elected to receive a stock grant in lieu of such director's annual cash retainers becomes entitled to receive an increased or additional annual cash retainer during the period from July 1 to June 30 of the next year, such director will receive such increased or additional annual cash retainer in cash until July 1 of the next year when the director may elect (on or prior to June 15 of the next year) to receive a stock grant in lieu of such director's annual cash retainers.

If a non-executive director who elected to receive a stock grant in lieu of such director's annual cash retainers experiences a change in the director's membership on one or more board committees or chair positions prior to June 30 of the next year such that the director becomes entitled to receive annual cash retainers for the period from July 1 to June 30 of the next year aggregating an amount less than the aggregate amount used to calculate the director's most recent stock grant received, the director will forfeit as of the effective date of such board committee or chair change his or her rights to receive a pro rata portion of the shares underlying such stock grant reflecting the decrease in the director's aggregate annual cash retainers and the date on which such decrease occurred. In addition, the vesting of the stock grant will be revised appropriately to reflect any such change in the number of shares underlying the stock grant and the date on which such change occurred.

PART III

OTHER INFORMATION

APPROPRIATION OF RESULTS

Statutory Provisions

In accordance with Article 28 of the Articles of Association, the profits shall be at the free disposal of the Annual General Meeting of Shareholders (art. 28, paragraph 2). However, the Company may only make profit distributions to shareholders to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to Dutch law (art. 28, paragraph 3).

Proposed Appropriation

The loss for the year will be added to the accumulated losses.

SUBSEQUENT EVENTS

Credit Facility

On March 13, 2015 we entered into an incremental Term Facility Amendment to our existing credit facility. Under terms of the agreement the senior secured term loan facility denominated in U.S. Dollars available to Tornier was increased by an additional aggregate principle amount of $10 million with the amortization schedule revised to reflect the additional term loan advance. The proceeds will be used to pay fees and costs of the amendment and for general corporate purposes. The amendment provides for no other changes to covenants or events of default under the credit facility, and provides for no change to any guaranty or collateral relating to the agreement.

Proposed Merger with Wright Medical Group, Inc.

As disclosed in the Board of Director's Report and financial statements, Tornier N.V. has entered into an agreement and plan of merger with Wright Medical Group, Inc. in the 2014 financial year. The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, an indirect wholly owned subsidiary of Tornier N.V. will merge with and into Wright, with Wright continuing as the surviving company and becoming an indirect wholly owned subsidiary of our company following the transaction. Reference is made to page 5 of the Financial Statements.

Dutch Accounting Standards requires the Company to determine the classification of the transaction as either an acquisition (with the application of 'purchase accounting') or as an uniting of interest (with the application of the 'pooling of interests' method). As of the time of writing a more in depth-analysis is needed to determine the appropriate accounting treatment. In addition, assessment of transaction fair values (in case of the purchase method) should be made and reconciliations of Wright US GAAP based accounting policies and valuations towards NL GAAP accounting policies and valuations have to be made.

As of the date of preparation of these financial statements a number of uncertainties exist ,which prohibit a substantiated preliminary conclusion on both the conclusion of the proper classification of the transaction and fair value and NL GAAP adjustments respectively. As a result of this, Tornier N.V. is not in a position to present additional information on the estimated impact of the merger in 2015.

For information purposes, the Wright Medical Group, Inc. U.S. GAAP financial statements can be found on their website.

SIGNATURES

Name	Title	Date
/S/ DAVID H. MOWRY David H. Mowry	President and Chief Executive Officer (principal executive officer)	May 6, 2015
/S/ SEAN D. CARNEY Sean D. Carney	Chairman of the Board	May 6, 2015
/S/ RICHARD B. EMMIT Richard B. Emmitt	Director	May 6, 2015
/S/ KEVIN C. O'BOYLE Kevin C. O'Boyle	Director	May 6, 2015
/S/ ALAIN TORNIER Alain Tornier	Director	May 6, 2015
/S/ RICHARD F. WALLMAN Richard F. Wallman	Director	May 6, 2015
/S/ ELIZABETH H. WEATHERMAN Elizabeth H. Weatherman	Director	May 6, 2015