

## Highlights

- Sales in the third quarter of 2017 amounted to USD 139 million, corresponding to 5% growth and 3% organic growth, both measured in local currency. Growth in the quarter was negatively impacted by fewer working days when compared to Q3 2016, adjusted for this the organic growth amounted to 4%. Sales in the first nine months of 2017 amounted to USD 415 million, corresponding to 9% growth and 4% organic growth, both measured in local currency.
- Prosthetics grew 5% organically in the quarter but it should be noted that the comparable quarter in Q3 2016 was strong with 11% organic growth. Growth in the B&S segment was flat in the quarter due to the expected negative impact from own distribution companies and slow direct sales in the US.
- Gross profit in Q3 2017 amounted to USD 87 million or 63% of sales. Gross profit has returned to levels comparable with the average of 2016. Gross profit in 9M 2017 amounted to USD 258 million or 62% of sales.
- EBITDA before special items in Q3 2017 amounted to USD 25 million or 18% of sales and grew by 4% measured in local currency. Investments in R&D and currency headwind put pressure on margins in the quarter. Special items in the quarter are related to the efficiency initiatives announced 25 September 2017. EBITDA before special items in 9M 2017 amounted to USD 73 million or 17% of sales and grew by 8% measured in local currency.
- Net profit in Q3 2017 amounted to USD 11 million or 8% of sales. Net profit for 9M 2017 amounted to USD 35 million or 8% of sales.
- Cash generated by operations in Q3 2017 amounted to USD 23 million or 16% of sales. Cash generated by operations in 9M 2017 amounted to USD 56 million or 13% of sales.
- Össur acquired 969,400 of own shares for approximately USD 5 million in Q3 2017. In 9M 2017, Össur has acquired 8,688,849 of own shares for approximately USD 34 million.
- Guidance unchanged compared to the guidance issued in relation to the Q2 2017 results.
- Össur held a Capital Markets Day on 27 September 2017. Presentation material from the event can be found on the Össur corporate website.

## Jon Sigurdsson, President & CEO, comments:

*“Growth in the first nine months of the year is primarily driven by strong performance in the prosthetics segment which is growing organically above estimated market growth. Furthermore, we are pleased to see our high-end innovative products performing well in both prosthetics and bracing & supports, such as the RHEO KNEE® and Unloader One®. In September we announced efficiency initiatives to further increase profitability in our business with planned savings that will begin to materialize in 2018.”*

## Key financials and guidance

USD million	9M 2017	9M 2016	Q3 2017	Q3 2016	Guidance FY 2017
Net sales	415	382	139	129	
Sales growth, LCY	9%	8%	5%	11%	7-8%
Sales growth, organic	4%	4%	3%	5%	4-5%
EBITDA margin (before special items)	17%	19%	18%	19%	18-19%
CAPEX as % of sales	3%	5%	3%	5%	~4%
Effective tax rate	26%	26%	26%	26%	~26%

USD million	9M 2017	9M 2016	Q3 2017	Q3 2016	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
<b>Income statement</b>									
Net sales	415	382	139	129	521	483	509	436	399
Gross profit	258	242	87	81	328	303	323	270	248
Operating expenses (excl. other income)	208	189	71	62	256	226	237	210	191
EBITDA	67	68	22	24	94	97	104	75	70
EBITDA adjusted	73	73	25	24	98	99	104	80	70
EBIT	50	52	16	19	72	77	86	60	57
Net profit	35	37	11	13	51	51	59	41	38
<b>Sales growth</b>									
Sales growth USD	% 8	7	8	10	8	(5)	17	9	0
Organic growth in LCY	% 4	4	3	5	4	5	5	2	3
Currency effect	% (1)	(1)	3	(1)	(1)	(10)	(1)	1	(3)
Acquired/divested business	% 5	4	2	6	5	1	13	6	1
<b>Balance sheet</b>									
Total assets	778	755	778	755	746	653	678	706	591
Equity	480	466	480	466	467	463	442	448	408
Net interest-bearing debt (NIBD)	141	139	141	139	119	58	93	108	82
<b>Cash flow</b>									
Cash generated by operations	56	60	23	27	88	84	98	73	71
Free cash flow	30	25	15	16	42	42	68	49	43
<b>Key ratios</b>									
Gross profit margin	% 62	63	63	63	63	63	63	62	62
EBIT margin	% 12	14	12	15	14	16	17	14	14
EBITDA margin	% 16	18	16	19	18	20	20	17	18
EBITDA adjusted margin	% 17	19	18	19	19	20	20	18	18
Equity ratio	% 62	62	62	62	63	71	65	63	69
NIBD to adj. EBITDA*	1.4	1.5	1.4	1.5	1.2	0.6	0.9	1.3	1.2
Effective tax rate	% 26	26	26	26	25	25	24	26	26
Return on equity*	% 10	11	10	11	11	11	13	10	10
CAPEX / net sales	% 3.0	5.1	3.0	4.7	4.7	4.9	3.3	3.9	3.6
<b>Market</b>									
Market value of equity	2,005	1,709	2,005	1,709	1,582	1,546	1,311	880	606
Number of shares in millions	437	443	437	443	443	446	454	454	454
Diluted EPS in US cents	8.0	8.3	2.6	3.0	11.6	11.5	13.1	9.1	8.4
Diluted cash EPS in US cents	11.8	11.8	3.9	4.2	16.5	16.0	17.2	12.5	11.3

\*Financial ratios are based on operations for the preceding 12 months.

## Management's report

### Sales performance

Sales in the first nine months (9M) of 2017 amounted to USD 415 million compared to USD 382 million in 9M 2016, corresponding to 9% growth and 4% organic growth, both measured in local currency. Sales in the third quarter (Q3) of 2017 amounted to USD 139 million compared to USD 129 million in Q3 2016, corresponding to 5% growth and 3% organic growth, both measured in local currency. Growth in the quarter was negatively impacted by fewer working days when compared to Q3 2016, adjusted for this the organic growth amounted to 4%.

Due to the appreciation of a few major operational currencies against the USD, mainly the EUR, currency movements in Q3 2017 impacted sales growth positively compared to Q3 2016 by USD 3 million which corresponds to a positive 250 basis points effect on USD growth.<sup>1</sup>

### Sales by regions

USD million	9M 2017	% of sales	USD growth	LCY growth	Organic growth	Q3 2017	% of sales	USD growth	LCY growth	Organic growth
EMEA	203	49%	10%	13%	6%	66	48%	13%	10%	6%
Americas	182	44%	5%	4%	0%	63	45%	1%	0%	-1%
APAC	30	7%	21%	17%	14%	10	7%	15%	9%	7%
<b>Total</b>	<b>415</b>	<b>100%</b>	<b>8%</b>	<b>9%</b>	<b>4%</b>	<b>139</b>	<b>100%</b>	<b>8%</b>	<b>5%</b>	<b>3%</b>

### Sales by segments

USD million	9M 2017	% of sales	USD growth	LCY growth	Organic growth	Q3 2017	% of sales	USD growth	LCY growth	Organic growth
Bracing and supports	208	50%	0%	1%	1%	68	49%	3%	0%	0%
Prosthetics	206	50%	18%	19%	8%	71	51%	12%	10%	5%
Other	1	0%	-15%	-16%	-16%	0	0%	-6%	-10%	-10%
<b>Total</b>	<b>415</b>	<b>100%</b>	<b>8%</b>	<b>9%</b>	<b>4%</b>	<b>139</b>	<b>100%</b>	<b>8%</b>	<b>5%</b>	<b>3%</b>

### Bracing and supports

Bracing and supports (B&S) sales in 9M 2017 amounted to USD 208 million and grew by 1%, organically and measured in local currency. B&S sales in Q3 2017 amounted to USD 68 million with flat sales growth, organically and measured in local currency.

Growth in EMEA was soft in the quarter. High-end products like Unloader One® however continued to perform well in the region with positive contribution to profitability from product mix. As with previous quarters, growth in the Americas was negatively impacted by the expected sales decline in own distribution companies in addition to slow direct sales in the US, partly attributed to the US hurricane season. The nature of the operational challenges is mainly due to internal restructuring efforts. At our Capital Markets Day on 27 September 2017 we outlined the magnitude of the impact, showing that the distribution companies accounted for ~9% of our global B&S sales in 2016 and had a negative impact on organic growth rates of about 1% on average in 2015-2016. This means that the direct sales part of our business has been growing annually in line with estimated 3-5% market growth in the same period. The restructuring efforts are expected to be finalized by year-end 2017 with an

<sup>1</sup> The methodology used to calculate the currency impact is to convert the Q3 2017 operating results on the average exchange rates of Q3 2016.

anticipated reduced impact on growth in 2018. APAC continues to perform well with good growth contribution from our high-end innovative products and strong growth in the Australia region.

In Q3 2017, three new B&S products were introduced with the Unloader One® Lite and the Miami LSO™ as highlights of the quarter. A new addition to the growing OA Solutions portfolio, the Unloader One® Lite knee brace is designed to relieve pain from knee osteoarthritis and degenerative meniscal tears and is a lightweight solution.

### **Prosthetics**

Prosthetics sales in 9M 2017 amounted to USD 206 million and grew by 19% and 8% organically, both measured in local currency. Prosthetics sales in Q3 2017 amounted to USD 71 million and grew by 10% and 5% organically, both measured in local currency.

We continue to see good performance in prosthetics, bearing in mind a strong comparable quarter in Q3 2016 where organic growth amounted to 11% primarily driven by a successful RHEO KNEE® 3 XC launch in Q2 2016. Growth in Americas was good, however marked by a difficult comparison to a strong Q3 2016. In EMEA our high-end innovative products are growing well and sales are growing across all major regions. Results for the first nine months of the year for prosthetics in EMEA are excellent with growth above estimated market growth of 3-5%. In APAC we are seeing our Bionics performing well and regions such as Australia and China delivering excellent results.

Sales of bionic products accounted for 20% of prosthetics component sales in the quarter, compared to 23% in Q3 2016. The ratio has decreased between quarters because of additional products coming from the Medi Prosthetics acquisition and good performance in our high-end mechanical prosthetics solutions.

In Q3 2017, three new products were introduced to the market. Highlights include new versions of the RHEO KNEE® and RHEO KNEE® XC which were launched towards the end of the quarter and include numerous functional updates as well as a new Össur Logic app.

### **Gross profit**

Gross profit in 9M 2017 amounted to USD 258 million or 62% of sales compared to USD 242 million or 63% of sales in 9M 2016. Gross profit in Q3 2017 amounted to USD 87 million or 63% of sales, compared to USD 81 million or 63% of sales in Q3 2016. Gross profit margin in the quarter was impacted by:

- Slightly positive impact from changes in product mix.
- Increased efficiency in manufacturing after a temporary negative impact in Q2 2017.
- Currency movements impacted the gross profit margin negatively by about 20 basis points.

Gross profit margin in the quarter is comparable to the average of 2016.

### **Operating expenses**

#### **Special items**

Össur expensed one-time costs of USD 5.6 million as special items in 9M 2017. The one-time costs in Q2 are related to the Medi Prosthetics integration and amount to USD 2.6 million whereas the Q3 one-time costs are related to the efficiency initiatives announced on 25 September 2017 and amount to USD 3.0 million.

#### **Operating expenses**

Operating expenses in 9M 2017 amounted to USD 208 million or 50% of sales compared to USD 189 million or 50% of sales in 9M 2016. Operating expenses in Q3 2017 amounted to USD 71 million or 51% of sales compared to 62 million or 48% of sales in Q3 2016. Operating expenses grew in Q3 by 10% compared to Q3 2016 measured

in local currency. Excluding special items, operating expenses grew in Q3 2017 by 5% compared to Q3 2016 measured in local currency. Key changes in operating expenses during the quarter were:

- Sales & Marketing (S&M) expenses increased in Q3 by 4% in local currency and amounted to 33% of sales.
- Research & Development (R&D) expenses increased in Q3 by 25% in local currency and amounted to 6% of sales. As in previous quarters in 2017, the largest portion of the growth is due to the acquisitions made in 2016. Furthermore, as already communicated during the Capital Markets Day in September, additional investments have begun in R&D projects for high-end products, e.g. Bionic Bracing and mind-controlled prosthetics.
- General & Administrative (G&A) expenses increased in Q3 by 22% in local currency and amounted to 12% of sales. Excluding special items, G&A growth was flat in local currency when compared to Q3 2016 and amounted to 10% of sales. Flat G&A growth can partly be traced to synergies realized via integration efforts as further detailed below.

### **Acquisitions**

The integration of Touch Bionics and Medi Prosthetics has progressed as planned. As of 1 July 2017, restructuring of certain S&M and G&A functions were completed for Touch Bionics. This restructuring is expected to decrease full year operating expenses by approx. USD 3 million, with full year effect in 2018. In the second half of 2017, the impact is expected to be around USD 1 million. In a similar manner, the integration of Medi Prosthetics is progressing as planned.

### **Efficiency initiatives**

On 25 September 2017 Össur announced efficiency initiatives in the areas of Manufacturing, Distribution, and Sourcing to further increase scalability and profitability. Össur has already moved into early stages of implementation and USD 3 million one-time costs were expensed as special items during the quarter. The progress is on track and no changes have been made to the timeline or the estimated financial impact previously communicated.

### **EBITDA**

EBITDA before special items in 9M 2017 amounted to USD 73 million or 17% of sales compared to USD 73 million or 19% of sales in 9M 2016 which corresponds to 8% growth measured in local currency. Currency movements affected the EBITDA margin in 9M 2017 negatively by about 110 basis points when unhedged (approx. 90 basis points net of hedge).

EBITDA before special items in Q3 2017 amounted to USD 25 million or 18% of sales compared to USD 24 million or 19% of sales in Q3 2016 which corresponds to 4% growth measured in local currency. Currency movements affected the EBITDA margin in Q3 2017 negatively by about 80 basis points when unhedged (approx. 70 basis points net of hedge).

Reported EBITDA in 9M 2017 amounted to USD 67 million or 16% of sales compared to USD 68 million or 18% of sales in 9M 2016. Reported EBITDA in Q3 2017 amounted to USD 22 million or 16% of sales compared to USD 24 million or 19% of sales in Q3 2016.

### **Financial Items, tax and net profit**

Net financial expenses in 9M 2017 amounted to USD 4 million compared to USD 2 million in 9M 2016. Net financial expenses in Q3 2017 amounted to USD 1.4 million compared to USD 1.2 million in Q3 2016, where the net exchange rate difference was negative by USD 0.5 million compared to negative USD 0.4 million in Q3 2016.

Income tax in 9M 2017 amounted to USD 12 million, corresponding to 26% effective tax rate, compared to USD 13 million and 26% effective tax rate in 9M 2016. Income tax amounted to USD 4 million, corresponding to 26% effective tax rate, compared to USD 4 million and 26% effective tax rate in Q3 2016.

Net profit in 9M 2017 amounted to USD 35 million or 8% of sales, compared to USD 37 million or 10% of sales in 9M 2016. Net profit in Q3 2017 amounted to USD 11 million or 8% of sales, compared to USD 13 million or 10% of sales in Q3 2016. Earnings per share in Q3 2017 amounted to 2.6 compared to 3.0 in Q3 2016.

### Cash flow

Cash generated by operations in 9M 2017 amounted to USD 56 million or 13% of sales, compared to USD 60 million or 16% of sales in 9M 2016. Cash generated by operations in Q3 2017 amounted to USD 23 million or 16% of sales, compared to USD 27 million or 21% of sales in Q3 2016. Cash generation in Q3 2017 was good, however slightly lower than in Q3 last year due to higher net working capital investments and slightly lower profit from operations.

Capital expenditure in 9M 2017 amounted to USD 12 million or 3% of sales, compared to USD 19 million or 5% of sales in 9M 2016. Capital expenditure in Q3 2017 amounted to USD 4 million or 3% of sales, compared to USD 6 million or 5% of sales in Q3 2016. Capital expenditures for the full year are expected to be around 4%.

### Capital structure, share buybacks and dividends

Net interest-bearing debt at the end of 9M 2017 amounted to USD 141 million compared to USD 119 million at year-end 2016 and USD 139 million at the end of 9M 2016. Changes in debt level is mostly due to our share buyback program and changes in currency rates. Net interest-bearing debt to EBITDA before special items corresponded to 1.4x at the end of 9M 2017 compared to 1.2x at year-end 2016 and 1.5x at the end of 9M 2016. The ratio is in line with the Company's Capital Structure and Dividend policy to maintain a healthy balance sheet and a level of net interest bearing debt of 1-2x to EBITDA.

On 15 August 2017, Össur hf. initiated a new share buyback program (the "Program"), which replaced the share buyback program that was completed on 11 August 2017. The Program is carried out in accordance with Regulation No. 596/2014 of the European Parliament and of the Council on market abuse ("MAR"), and the Commission's delegated regulation 2016/1052.

Since the beginning of 2017, Össur has purchased 8,688,849 of own shares for approximately USD 34 million. In Q3 2017, Össur purchased 969,400 of own shares for approximately USD 5 million. The purpose of the Program is to reduce the Company's share capital and adjust the capital structure by distributing capital to shareholders in line with the Company's Capital Structure and Dividend Policy. At 30 September 2017, Össur held 8,712,240 treasury shares.

### Financial guidance for 2017

#### Key financials and guidance

USD million	Guidance FY 2017 (Current)	Guidance FY 2017 (July)	Guidance FY 2017 (April)	Guidance FY 2017 (February)
Sales growth, LCY	7-8%	7-8%	7-8%	7-8%
Sales growth, organic	4-5%	4-5%	4-5%	4-5%
EBITDA margin (before special items)	18-19%	18-19%	19-20%	19-20%
CAPEX as % of sales	~4%	~4%	~4%	~4%
Effective tax rate	~26%	~26%	~26%	~26%

No changes are made to the guidance parameters communicated in the second quarter of 2017.

At current foreign exchange rates, keeping all other factors constant, EBITDA margin is expected to be negatively impacted by approximately 90 basis points in 2017 when compared to 2016. Additional information on foreign exchange assumptions can be found in the next section.

The financial guidance assumes the prevailing economic outlook in key markets and no major fluctuations of major operating currencies from their closing rates on 23 October 2017.

### Foreign exchange

Sales are particularly exposed to fluctuations in the EUR against the USD. In addition to the EUR, the ISK has a relatively high impact on our operating results as a substantial part of our manufacturing and R&D is based in Iceland whereas our sales in ISK are minor. Split of sales and costs by main currencies can be found in note 4 in the accompanying Consolidated Financial Statements.

All else being equal, a +/- 5% movement in EUR/USD is estimated to have an annual impact to the EBITDA in the range of USD 2.5-2.8 million when unhedged. The same movement in the ISK/USD is estimated to have an annual impact the EBITDA in the range of USD 2.2-2.5 million when unhedged.<sup>2</sup> In January 2017, Össur entered into forward contracts covering approximately half of the estimated ISK costs.

### Currency overview

USD	EUR	ISK
Average exchange rate 2016	1.1069	0.0083
Average exchange rate Q1 2017	1.0650	0.0089
Average exchange rate Q2 2017	1.0996	0.0096
Average exchange rate Q3 2017	1.1750	0.0095
Closing rate 23 October 2017	1.1759	0.0095
Estimated average exchange rate 2017*	1.1289	0.0094
Change in estimated exchange rate 2017 compared with last year's average	2%	13%

\*Estimated average exchange rate is calculated as the average of the quarterly exchange rates to date combined with the closing rates at 23 October 2017 for the remainder of the year.

### Other matters

#### IUVO to develop wearable Robotic Exoskeletons (Bionic Bracing) in co-operation with Comau and Össur

IUVO, a spin-off company of The BioRobotics Institute (Scuola Superiore Sant'Anna) in the field of wearable technologies, has recently received a joint investment from Comau and Össur. The objective of IUVO is to create wearable, intelligent and active tools for a better quality of life. The first concrete examples are robotic exoskeletons (bionic bracing) capable of aiding and improving the quality of life for workers in industrial and service fields and for patients in need of improved mobility.

#### Risks associated to potential changes to the business environment in the United States

The possibility of import tariffs on products manufactured and imported from Mexico to the United States has been discussed by US authorities. Össur could be impacted as it currently manufactures majority of its products in Iceland, Mexico and in China. The Össur products manufactured in Mexico and sold in the United States are a relatively small share of the total sales in the United States. Therefore, it is currently estimated by the

<sup>2</sup> It should be noted that the estimated currency sensitivity has been revised to an annual EBITDA impact whereas the sensitivity in the Q2 2017 announcement showed an estimated EBITDA impact for the remainder of the year 2017.

management that import tariffs on those products would not have a significant impact on the Company's operations.

**New IFRS Standards**

Two newly issued but not yet effective IFRS standards are relevant to Össur: IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases. IFRS 15 is effective starting on 1 January 2018 and IFRS 16 on 1 January 2019 with a permission for early adoption. The European Union has endorsed the IFRS 15 but not yet IFRS 16. More details and an assessment from the management on these standards can be found in note 32.2 in the full year 2016 Consolidated Financial Statements.



## Financial calendar and upcoming events & conferences

### Q3 2017 conference call details

Össur will host a conference call on Wednesday 25 October 2017 at **9:00 CET/ 7:00 GMT/ 3:00 EDT**. To participate in the call please dial: Europe: + 45 3544 5580, +44 (0) 203 364 5374 or +46 (0) 8 505 564 74, The United States: + 1 855 753 2230, Iceland: +354 800 7417. A webcast can be followed on the Össur website: [www.ossur.com/investors](http://www.ossur.com/investors).

### Financial calendar

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Q4 2017 Results	5 February 2018
2018 Annual General Meeting (IS)	8 March 2018

### Meet the management

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Danske Bank Copenhagen Winter Seminar (DK)	13 December 2017
SEB Nordic Seminar (DK)	9 January 2018
Carnegie Healthcare Seminar (SE)	15 March 2018
Goldman Sachs 15th Annual European Medtech and Healthcare Services Conference (UK)	5-6 September 2018

## For further information

### Contact details

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Jon Sigurdsson, President & CEO	+354 515 1300	
Sveinn Solvason, CFO	+354 515 1300	
David Hreidarsson, Investor Relations	+354 515 1380	<a href="mailto:dhreidarsson@ossur.com">dhreidarsson@ossur.com</a>

### Össur corporate announcements by e-mail

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## About Össur

Össur (NASDAQ: OSSR) is a global leader in non-invasive orthopaedics that helps people live a life without limitations. Its business is focused on improving people's mobility through the delivery of innovative technologies within the fields of braces, supports, prosthetic limbs and compression therapy. A recognized "Technology Pioneer", Össur invests significantly in research and product development; its award-winning designs ensuring a consistently strong position in the market. Successful patient and clinical outcomes are further empowered via Össur's educational programs and business solutions. Headquartered in Iceland, Össur has major operations in the Americas, EMEA and APAC, with additional distributors worldwide. [www.ossur.com](http://www.ossur.com).

## Forward-looking statements

This press release includes "forward-looking statements" which involve risks and uncertainties that could cause actual results to differ materially from results expressed or implied by these statements. Össur hf. undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this press release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.

## Statement by the Board of Directors, President and CEO

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The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 September 2017 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU. The Condensed Interim Consolidated Financial Statements are neither audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 414.8 million and the net profit amounted to USD 34.5 million. Össur's Consolidated total assets amounted to USD 777.5 million at the end of period, liabilities were USD 297.2 million, and equity was USD 480.3 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 30 September 2017 and operating performance of the period ended 30 September 2017.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 September 2017 and confirm them by means of their signatures.

Reykjavík, 24 October 2017

### Board of Directors

Niels Jacobsen  
Chairman of the Board

Arne Boye Nielsen

Kristján T. Ragnarsson

Guðbjörg Edda Eggertsdóttir

Svafa Grönfeldt

### President and CEO

Jón Sigurðsson

## Consolidated Income Statement

All amounts in USD '000	Notes	9M 2017	9M 2016	Q3 2017	Q3 2016
Net sales	3	414,830	382,339	138,899	129,158
Cost of goods sold		(156,923)	(140,423)	(51,832)	(47,991)
<b>Gross profit</b>		<b>257,907</b>	<b>241,916</b>	<b>87,067</b>	<b>81,167</b>
Other income / (expenses)		(29)	57	(21)	(42)
Sales and marketing expenses		(137,652)	(129,396)	(45,762)	(42,418)
Research and development expenses		(21,904)	(16,277)	(7,667)	(5,790)
General and administrative expenses		(48,049)	(43,812)	(17,298)	(14,053)
<b>Earnings before interest and tax (EBIT)</b>		<b>50,273</b>	<b>52,488</b>	<b>16,319</b>	<b>18,864</b>
Financial income		1,442	592	470	275
Financial expenses		(3,970)	(2,814)	(1,434)	(1,117)
Net exchange rate difference		(1,484)	(56)	(461)	(406)
Net financial income / (expenses)	5	(4,012)	(2,278)	(1,425)	(1,248)
Share in net profit / (loss) of associated companies		188	(1,128)	88	(162)
<b>Earnings before tax (EBT)</b>		<b>46,449</b>	<b>49,082</b>	<b>14,982</b>	<b>17,454</b>
Income tax		(11,924)	(12,572)	(3,835)	(4,474)
<b>Net profit</b>		<b>34,525</b>	<b>36,510</b>	<b>11,147</b>	<b>12,980</b>
Attributable to:					
Owners of the Company		34,569	36,665	11,212	13,124
Non-controlling interests		(44)	(155)	(65)	(144)
		<b>34,525</b>	<b>36,510</b>	<b>11,147</b>	<b>12,980</b>
<b>Earnings per share</b>	6				
Basic earnings per share (US cent)		8.0	8.3	2.6	3.0
Diluted earnings per share (US cent)		8.0	8.3	2.6	3.0

## Consolidated Statement of Comprehensive Income

All amounts in USD '000	Notes	9M 2017	9M 2016	Q3 2017	Q3 2016
<b>Net profit</b>		34,525	36,510	11,147	12,980
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Change in cash flow hedges		0	45	0	0
Translation difference of shares in foreign operations		20,337	(507)	7,330	(1,919)
Income tax relating to components of other comprehensive income		611	356	121	153
		<b>20,948</b>	<b>(106)</b>	<b>7,451</b>	<b>(1,766)</b>
<b>Total comprehensive income</b>		<b>55,473</b>	<b>36,404</b>	<b>18,598</b>	<b>11,213</b>
Attributable to:					
Owners of the Company		55,517	36,559	18,663	11,357
Non-controlling interests		(44)	(155)	(65)	(144)
		<b>55,473</b>	<b>36,404</b>	<b>18,598</b>	<b>11,213</b>

## Consolidated Balance Sheet

### Assets

All amounts in USD '000	Notes	30.09.2017	31.12.2016
Property, plant and equipment	7	54,613	52,837
Goodwill	8	415,559	394,123
Other intangible assets	9	45,165	45,592
Other financial assets		18,318	19,376
Deferred tax assets		18,838	23,739
<b>Non-current assets</b>		<b>552,493</b>	<b>535,667</b>
Inventories		84,257	75,296
Accounts receivables		85,111	82,109
Other assets		20,992	18,233
Bank balances and cash	10	34,728	35,091
<b>Current assets</b>		<b>225,088</b>	<b>210,729</b>
<b>Total assets</b>		<b>777,581</b>	<b>746,396</b>

## Consolidated Balance Sheet

### Equity and liabilities

All amounts in USD '000	Notes	30.09.2017	31.12.2016
Issued capital		115,316	149,606
Reserves		(31,687)	(52,867)
Retained earnings		396,233	369,689
Equity attributable to owners of the Company		479,862	466,428
Non-controlling interest in equity		482	763
<b>Total equity</b>		<b>480,344</b>	<b>467,191</b>
Borrowings		150,126	130,095
Deferred tax liabilities		24,847	28,626
Provisions		7,277	6,519
Other financial liabilities		792	0
<b>Non-current liabilities</b>		<b>183,042</b>	<b>165,240</b>
Borrowings		25,629	24,430
Accounts payable		21,986	17,810
Taxes payable		5,890	8,152
Provisions		5,699	5,741
Accrued salaries and related expenses		30,106	30,844
Other liabilities		24,885	26,988
<b>Current liabilities</b>		<b>114,195</b>	<b>113,965</b>
<b>Total equity and liabilities</b>		<b>777,581</b>	<b>746,396</b>

## Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	9M 2017	9M 2016	Q3 2017	Q3 2016
Profit from operations		50,273	52,488	16,319	18,864
Depreciation and amortization	7, 9	16,664	15,712	5,747	5,511
(Gain) / loss on disposal of assets		52	40	34	1
Change in provisions		1,090	1,818	786	(670)
Change in inventories		(4,787)	(9,349)	(2,009)	128
Change in receivables		(2,423)	(3,598)	6,275	2,260
Change in payables		(4,877)	2,837	(4,274)	1,378
<b>Cash generated by operations</b>		<b>55,992</b>	<b>59,948</b>	<b>22,878</b>	<b>27,472</b>
Interest received		1,383	563	535	248
Interest paid		(3,672)	(2,299)	(1,239)	(759)
Income tax paid		(11,060)	(13,509)	(3,500)	(4,585)
<b>Net cash provided by operating activities</b>		<b>42,643</b>	<b>44,703</b>	<b>18,674</b>	<b>22,376</b>
Purchase of fixed and intangible assets	7, 9	(12,498)	(19,404)	(4,148)	(6,010)
Proceeds from sale of fixed assets		22	43	21	0
Acquisition of subsidiaries		(1,419)	(61,206)	0	(21,126)
Changes in financial assets		1,465	(9,654)	(961)	(9,794)
<b>Cash flows to investing activities</b>		<b>(12,430)</b>	<b>(90,221)</b>	<b>(5,088)</b>	<b>(36,930)</b>
Proceeds from long-term borrowings		700	3,606	700	3,606
Repayments of long-term borrowings		(24,579)	(19)	(67)	0
Changes in revolving credit facility		31,056	81,573	(14,653)	0
Payment of dividends		(7,340)	(7,813)	0	0
Change in treasury shares		(34,290)	(26,852)	(4,910)	(1,128)
<b>Cash flows (to) / from financing activities</b>		<b>(34,453)</b>	<b>50,495</b>	<b>(18,930)</b>	<b>2,478</b>
<b>Net change in cash</b>		<b>(4,240)</b>	<b>4,977</b>	<b>(5,344)</b>	<b>(12,076)</b>
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		2,650	679	853	148
Other items held in foreign currencies		1,227	(1,019)	626	(179)
<b>Cash at beginning of period</b>		<b>35,091</b>	<b>25,707</b>	<b>38,593</b>	<b>42,451</b>
<b>Cash at end of period</b>		<b>34,728</b>	<b>30,344</b>	<b>34,728</b>	<b>30,344</b>



## Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>	<b>4,986</b>	<b>169,538</b>	<b>1,267</b>	<b>856</b>	<b>51</b>	<b>(44,068)</b>	<b>329,312</b>	<b>461,942</b>	<b>1,085</b>	<b>463,027</b>
Net profit							36,665	36,665	(155)	36,510
Change in cash flow hedges net of tax					33			33		33
Translation difference of shares in foreign operations						(139)		(139)		(139)
Total comprehensive income for the period	0	0	0	0	33	(139)	36,665	36,559	(155)	36,404
Payment of dividends							(7,813)	(7,813)	(0)	(7,813)
Share option charge for the period				741				741		741
Share option vested during the period	10	3,730		(320)			(2,321)	1,099		1,099
Change in Non-controlling interests							34	34	8	42
Non controlling interest arising on acquisition								0	333	333
Purchase of treasury shares	(61)	(28,210)						(28,271)		(28,271)
<b>Balance at 30 September 2016</b>	<b>4,935</b>	<b>145,058</b>	<b>1,267</b>	<b>1,277</b>	<b>84</b>	<b>(44,207)</b>	<b>355,877</b>	<b>464,291</b>	<b>1,270</b>	<b>465,561</b>
<b>Balance at 1 January 2017</b>	<b>4,933</b>	<b>144,673</b>	<b>1,267</b>	<b>1,553</b>	<b>83</b>	<b>(55,770)</b>	<b>369,689</b>	<b>466,428</b>	<b>763</b>	<b>467,191</b>
Net profit							34,569	34,569	(44)	34,525
Translation difference of shares in foreign operations						20,948		20,948		20,948
Total comprehensive income for the period	0	0	0	0	0	20,948	34,569	55,517	(44)	55,473
Payment of dividends							(7,340)	(7,340)	0	(7,340)
Share option charge for the period				1,095				1,095		1,095
Change in cash flow hedges net of tax					(863)			(863)		(863)
Change in Non-controlling interests							(685)	(685)	(236)	(921)
Purchase of treasury shares	(81)	(34,209)						(34,290)		(34,290)
<b>Balance at 30 September 2017</b>	<b>4,852</b>	<b>110,464</b>	<b>1,267</b>	<b>2,648</b>	<b>(780)</b>	<b>(34,822)</b>	<b>396,233</b>	<b>479,862</b>	<b>482</b>	<b>480,344</b>

## Notes to the Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### 1.1 Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the period. The implementation of new and revised standards did not have any impact on the Company's Financial Statements. The Company has not early applied new and revised IFRSs that have been issued but are not yet effective. The Financial Statements are presented in USD, which is the Company's functional currency. They do not include all of the information required for full annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period ended 31 December 2016. The Company's Annual Financial Statements can be found on Company's website [www.ossur.com](http://www.ossur.com).

#### 1.2 Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Financial Statements for the period ended 31 December 2016.

### 2. Quarterly statements

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net sales	138,899	144,925	131,006	138,409	129,158
Cost of goods sold	(51,832)	(55,774)	(49,317)	(51,887)	(47,991)
<b>Gross profit</b>	<b>87,067</b>	<b>89,151</b>	<b>81,689</b>	<b>86,522</b>	<b>81,167</b>
Gross profit margin	63%	62%	62%	63%	63%
Other income / (expenses)	(21)	(41)	33	93	(42)
Sales and marketing expenses	(45,762)	(46,879)	(45,011)	(45,760)	(42,418)
Research and development expenses	(7,667)	(7,383)	(6,854)	(6,889)	(5,790)
General and administrative expenses	(17,298)	(15,889)	(14,862)	(14,283)	(14,053)
<b>EBIT</b>	<b>16,319</b>	<b>18,959</b>	<b>14,995</b>	<b>19,683</b>	<b>18,864</b>
Net financial income / (expenses)	(964)	(741)	(823)	(574)	(842)
Net exchange rate difference	(461)	(640)	(383)	371	(406)
Share in profit / (loss) of associated companies	88	86	14	(145)	(162)
<b>EBT</b>	<b>14,982</b>	<b>17,664</b>	<b>13,803</b>	<b>19,335</b>	<b>17,454</b>
Income tax	(3,835)	(4,455)	(3,634)	(4,847)	(4,474)
<b>Net profit</b>	<b>11,147</b>	<b>13,209</b>	<b>10,169</b>	<b>14,488</b>	<b>12,980</b>
EBITDA	22,066	24,440	20,431	25,668	24,375
EBITDA margin	16%	17%	16%	19%	19%
EBITDA adjusted	25,066	27,020	20,431	25,668	24,375
EBITDA adjusted margin	18%	19%	16%	19%	19%

### 3. Net sales

	9M 2017	9M 2016	Q3 2017	Q3 2016
Specified according to geographical segments:				
EMEA	202,887	183,718	66,029	58,402
Americas	182,371	174,277	62,662	61,854
APAC	29,572	24,344	10,208	8,902
	<b>414,830</b>	<b>382,339</b>	<b>138,899</b>	<b>129,158</b>
Specified according to product lines:				
Bracing and Supports	207,949	207,433	68,158	66,174
Prosthetics	206,205	174,111	70,525	62,753
Other products	676	795	216	231
	<b>414,830</b>	<b>382,339</b>	<b>138,899</b>	<b>129,158</b>

## Notes to the Consolidated Financial Statements

### 4. Sales and expenses split by main currencies

	9M 2017			Q3 2017		
	LCY	USD	%	LCY	USD	%
<b>Sales</b>						
USD	170,262	170,262	41%	58,182	58,182	42%
EUR	104,347	115,944	28%	32,376	38,042	27%
ISK	165,008	1,537	0%	53,203	504	0%
Nordic curr. (SEK, NOK, DKK)		57,488	14%		18,301	13%
Other (GBP, AUD, CAD & Other)		69,599	17%		23,870	18%
		<b>414,830</b>	<b>100%</b>		<b>138,899</b>	<b>100%</b>
<b>COGS and OPEX</b>						
USD	146,256	146,256	40%	50,239	50,239	41%
EUR	72,380	80,505	22%	22,517	26,459	22%
ISK	4,462,685	41,528	11%	1,462,178	13,854	11%
Nordic curr. (SEK, NOK, DKK)		53,853	15%		17,504	14%
Other (GBP, MXN, CAD & Other)		42,415	12%		14,524	12%
		<b>364,557</b>	<b>100%</b>		<b>122,580</b>	<b>100%</b>
	9M 2016			Q3 2016		
	LCY	USD	%	LCY	USD	%
<b>Sales</b>						
USD	165,966	165,966	44%	58,803	58,803	46%
EUR	92,013	102,730	27%	30,039	33,537	26%
ISK	150,695	1,217	0%	46,857	396	0%
Nordic curr. (SEK, NOK, DKK)		53,763	14%		15,777	12%
Other (GBP, AUD, CAD & Other)		58,663	15%		20,645	16%
		<b>382,339</b>	<b>100%</b>		<b>129,158</b>	<b>100%</b>
<b>COGS and OPEX</b>						
USD	136,673	136,673	41%	47,924	47,924	44%
EUR	61,186	69,106	21%	21,114	24,375	22%
ISK	4,415,398	35,673	11%	1,427,374	12,080	11%
Nordic curr. (SEK, NOK, DKK)		50,593	15%		14,291	13%
Other (GBP, MXN, CAD & Other)		37,806	12%		11,624	10%
		<b>329,851</b>	<b>100%</b>		<b>110,294</b>	<b>100%</b>

### 5. Financial income / (expenses)

	9M 2017	9M 2016	Q3 2017	Q3 2016
Interests on bank deposits	1,118	496	427	249
Other financial income	324	96	43	26
<b>Financial income</b>	<b>1,442</b>	<b>592</b>	<b>470</b>	<b>275</b>
Interests on loans	(2,382)	(1,970)	(809)	(729)
Other financial expenses	(1,588)	(844)	(625)	(388)
<b>Financial expenses</b>	<b>(3,970)</b>	<b>(2,814)</b>	<b>(1,434)</b>	<b>(1,117)</b>
Net exchange rate differences	(1,484)	(56)	(461)	(406)
<b>Net financial income / (expenses)</b>	<b>(4,012)</b>	<b>(2,278)</b>	<b>(1,425)</b>	<b>(1,248)</b>

## Notes to the Consolidated Financial Statements

### 6. Earnings per share

	9M 2017	9M 2016	Q3 2017	Q3 2016
Net profit	34,525	36,510	11,147	12,980
Total weighted average number of ordinary shares (in thousands)	431,450	439,926	428,952	437,447
Total weighted average number of shares including potential shares (in thousands)	433,302	441,411	430,794	438,734
Basic earnings per share (US cent)	8.0	8.3	2.6	3.0
Diluted earnings per share (US cent)	8.0	8.3	2.6	3.0
Cash earnings per share	11.9	11.9	3.9	4.2
Diluted cash earnings per share	11.8	11.8	3.9	4.2

### 7. Property, plant and equipment

2017	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
<b>Cost</b>					
At 1 January	11,527	77,828	30,257	13,182	132,794
Reclassification	0	167	(214)	(67)	(114)
Additions	63	5,855	1,955	1,766	9,639
Exchange rate differences	1,356	2,805	1,642	539	6,342
Eliminated on disposal	0	(1,131)	(47)	(705)	(1,883)
<b>Fully depreciated assets</b>	<b>0</b>	<b>(3,606)</b>	<b>(94)</b>	<b>(2,149)</b>	<b>(5,849)</b>
At 30 September 2017	12,946	81,918	33,500	12,566	140,929
<b>Depreciation</b>					
At 1 January	7,929	46,705	15,875	9,448	79,957
Reclassification	0	(2)	(44)	(68)	(114)
Charge for the period	277	5,800	2,593	1,421	10,091
Exchange rate differences	950	2,074	638	379	4,041
Eliminated on disposal	0	(1,070)	(35)	(705)	(1,810)
<b>Fully depreciated assets</b>	<b>0</b>	<b>(3,606)</b>	<b>(94)</b>	<b>(2,149)</b>	<b>(5,849)</b>
At 30 September 2017	9,156	49,901	18,933	8,326	86,316
<b>At 30 September 2017</b>	<b>3,790</b>	<b>32,017</b>	<b>14,567</b>	<b>4,239</b>	<b>54,613</b>
<b>Depreciation classified by operational category:</b>					
	<b>9M 2017</b>	<b>9M 2016</b>	<b>Q3 2017</b>	<b>Q3 2016</b>	
Cost of goods sold	6,216	5,677	2,273	1,997	
Sales and marketing expenses	1,421	1,149	511	309	
Research and development expenses	602	403	213	149	
General and administrative expenses	1,852	2,364	496	897	
	<b>10,091</b>	<b>9,593</b>	<b>3,493</b>	<b>3,352</b>	

### 8. Goodwill

	30.09.2017	31.12.2016
At 1 January	394,123	369,238
Arising on acquisition of subsidiaries	0	35,065
Purchase price allocation	2,095	0
Exchange rate differences	19,341	(10,180)
	<b>415,559</b>	<b>394,123</b>

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

	30.09.2017	31.12.2016
Americas	223,961	221,211
EMEA	174,832	157,304
APAC	16,766	15,608
	<b>415,559</b>	<b>394,123</b>

## Notes to the Consolidated Financial Statements

### 9. Other intangible assets

2017	Cust./distrib relationships	Patents	Trademarks	Software and other	Total
<b>Cost</b>					
At 1 January	34,519	13,254	12,625	35,287	95,685
Additions	68	119	0	1,312	1,499
Additions - internally generated	0	0	0	1,360	1,360
Fully depreciated assets	0	0	0	(1,448)	(1,448)
Exchange rate differences	2,891	960	1,616	668	6,135
At 30 September 2017	37,478	14,333	14,241	37,179	103,231
<b>Amortization</b>					
At 1 January	25,471	1,853	201	22,568	50,093
Charge for the period	1,883	607	116	3,967	6,573
Fully depreciated assets	0	0	0	(1,448)	(1,448)
Exchange rate differences	2,164	111	212	361	2,848
At 30 September 2017	29,518	2,571	529	25,448	58,066
<b>At 30 September 2017</b>	<b>7,960</b>	<b>11,762</b>	<b>13,712</b>	<b>11,731</b>	<b>45,165</b>
Amortization classified by operational category:					
		<b>9M 2017</b>	<b>9M 2016</b>	<b>Q3 2017</b>	<b>Q3 2016</b>
Cost of goods sold		948	870	316	334
Sales and marketing expenses		3,363	3,915	1,143	1,297
Research and development expenses		801	214	301	87
General and administrative expenses		1,461	1,120	494	441
		<b>6,573</b>	<b>6,119</b>	<b>2,254</b>	<b>2,159</b>

### 10. Bank balances and cash

	30.09.2017	31.12.2016
Bank accounts	32,577	32,171
Bankers draft received	2,040	2,867
Cash and other cash equivalents	111	53
	<b>34,728</b>	<b>35,091</b>

### 11. Share option contracts

	30.09.2017		31.12.2016	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	5,300,000	23.2	4,050,000	17.0
Granted during period	475,000	26.0	2,550,000	25.3
Exercised during period			(1,300,000)	7.8
<b>Outstanding at end of period</b>	<b>5,775,000</b>	<b>23.4</b>	<b>5,300,000</b>	<b>23.2</b>

Estimated remaining cost due to the share option contracts is USD 1.8 million. An expense of USD 1.1 million (2016: USD 0.7 million) is recognized in the Income Statement for the period. Exercise period of the share options contracts is 2018-2020.

### 12. Litigation

Vincent Systems, a German manufacturer of prosthetic hands, filed a lawsuit in Germany against Touch Bionics in November 2016. Vincent Systems claims that certain Touch Bionics products, which include the i-digit finger element in hand prosthesis, infringe one European patent valid only in Germany. Touch Bionics and Össur deny allegations of infringement. Management expects the case to be resolved during 2017 and that the majority of legal costs and other related expenses will materialize during the year. While Touch Bionics and Össur are confident in their positions on the merits, the likely outcome of the case remains uncertain.