

Highlights

- Organic sales growth of 7% in Q3 2018 and 5% in USD. Organic sales growth of 5% in 9M 2018.
- The prosthetics segment grew 11% organic in Q3 2018 and the B&S segment grew 2% organic. Growth in both business segments can be attributed to strong sales of high-end innovative products.
- Gross profit margin was 64% in Q3 2018 compared to 63% in the comparable quarter. The increase is driven by positive impact from changes in product mix, stable unit cost and savings from the ongoing efficiency initiatives. Gross profit margin in 9M 2018 amounted to 63%.
- EBITDA margin before special items was 21% in Q3 2018, compared to an EBITDA margin before special items of 18% in Q3 2017. EBITDA growth in local currency and before special items amounted to 22% in Q3 2018. The increase in EBITDA margin is driven by a positive impact from changes in product mix, scalability in operations, and savings from the ongoing efficiency initiatives. EBITDA margin before special items in 9M 2018 amounted to 18%.
- Net profit grew by 43% in Q3 2018 and amounted to 11% of sales. Growth in diluted EPS amounted to 44% in Q3 2018. Net profit grew by 33% in 9M 2018 and amounted to 10% of sales.
- Cash generated by operations was strong in Q3 2018 and amounted to 22% of sales compared to 16% of sales in Q3 2017. Cash generated by operations amounted to 14% of sales in 9M 2018.
- Guidance for capital expenditures has been updated due to various investments made in relation to the ongoing efficiency initiatives. Other guidance parameters remain unchanged. The financial guidance for the full year 2018 is 4-5% organic sales growth, ~19% EBITDA margin before special items, ~5% CAPEX of sales (previous ~4%), and an effective tax rate in the range of 23-24%.
- Össur recently made two acquisitions with combined full-year sales of about USD 40 million. The acquisitions had no impact on operating income in Q3 2018 but will have an impact in Q4 2018.
- As part of the share buyback program, Össur acquired 1,006,399 of own shares for approx. USD 5 million in Q3 2018. In 9M 2018, Össur acquired 4,437,862 of own shares for approx. USD 21 million.

Jon Sigurdsson, President & CEO, comments:

“We are pleased to deliver a strong quarter in terms of sales growth and profitability. Sales growth in the quarter was driven by the prosthetics segment, which grew 11%, and our high-end products continue to perform well in both business segments. Additionally, growth in countries classified as emerging markets was strong in both business segments. Profitability is increasing in line with our plans, driven by scalability from strong sales growth, positive changes in product mix, and our ongoing efficiency initiatives. In line with the operating results, we also have a strong cash generation in the quarter.”

Key financials and guidance

USD million	9M 2018	9M 2017	Q3 2018	Q3 2017	Guidance FY 2018
Net sales	445	415	145	139	
Sales growth, LCY	5%	9%	7%	5%	
Sales growth, organic	5%	4%	7%	3%	4-5%
EBITDA margin (before special items)	18%	17%	21%	18%	~19%
CAPEX as % of sales	5%	3%	5%	3%	~5%
Effective tax rate	23%	26%	23%	26%	23-24%

USD million	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Income statement									
Net sales	445	415	145	139	569	521	483	509	436
Gross profit	280	258	92	87	355	328	303	323	270
Operating expenses (excl. other income)	223	208	75	71	280	256	226	237	210
EBITDA	75	67	23	22	97	94	97	104	75
EBITDA adjusted	82	73	30	25	103	98	99	104	80
EBIT	57	50	17	16	75	72	77	86	60
Net profit	46	35	16	11	58	51	51	59	41
Sales growth									
Sales growth USD	% 7	8	5	8	9	8	(5)	17	9
Organic growth in LCY	% 5	4	7	3	5	4	5	5	2
Currency effect	% 2	(1)	(2)	3	1	(1)	(10)	(1)	1
Acquired/divested business	% 0	5	0	2	4	5	1	13	6
Balance sheet									
Total assets	825	778	825	778	793	746	653	678	706
Equity	511	480	511	480	500	467	463	442	448
Net interest-bearing debt (NIBD)	142	141	142	141	121	119	58	93	108
Cash flow									
Cash generated by operations	61	56	32	23	90	88	84	98	73
Free cash flow	23	30	18	15	55	42	42	68	49
Key ratios									
Gross profit margin	% 63	62	64	63	62	63	63	63	62
EBIT margin	% 13	12	12	12	13	14	16	17	14
EBITDA margin	% 17	16	16	16	17	18	20	20	17
EBITDA margin before special items	% 18	17	21	18	18	19	20	20	18
Equity ratio	% 62	62	62	62	63	63	71	65	63
NIBD to EBITDA before special items*	1.3	1.4	1.3	1.4	1.2	1.2	0.6	0.9	1.3
Effective tax rate	% 23	26	23	26	16	25	25	24	26
Return on equity*	% 14	10	14	10	12	11	11	13	10
CAPEX / net sales	% 5	3	5	3	3	5	5	3	4
Market									
Market value of equity	2,277	2,005	2,277	2,005	1,871	1,582	1,546	1,311	880
Number of shares in millions	431	437	431	437	437	443	446	454	454
Diluted EPS in US cents	10.8	8.0	3.7	2.6	13.3	11.6	11.5	13.1	9.1
Diluted cash EPS in US cents	14.9	11.8	5.1	3.9	18.5	16.5	16.0	17.2	12.5

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

Management's report

Sales performance

Sales in 9M of 2018 amounted to USD 445 million compared to USD 415 million in 9M 2017, corresponding to 5% organic growth and 7% growth in USD. Sales in Q3 of 2018 amounted to USD 145 million compared to USD 139 million in Q3 2017, corresponding to 7% organic growth and 5% growth in USD.

Due to the depreciation of most major operating currencies against the USD, currency movements in Q3 2018 impacted sales growth negatively compared to Q3 2017 by USD 3 million which corresponds to a negative 2% points effect on USD growth rate.¹

Össur recently made two acquisitions. Further information can be found in the section "Other matters".

Sales by regions

USD million	9M 2018	% of sales	USD growth	LCY growth	Organic growth	Q3 2018	% of sales	USD growth	LCY growth	Organic growth
EMEA	221	50%	9%	4%	4%	67	46%	1%	5%	5%
Americas	188	42%	3%	3%	3%	66	46%	6%	6%	6%
APAC	36	8%	22%	21%	21%	12	8%	20%	26%	26%
Total	445	100%	7%	5%	5%	145	100%	5%	7%	7%

Sales by segments

USD million	9M 2018	% of sales	USD growth	LCY growth	Organic growth	Q3 2018	% of sales	USD growth	LCY growth	Organic growth
Bracing and supports	217	49%	4%	2%	2%	68	47%	0%	2%	2%
Prosthetics	227	51%	10%	7%	7%	77	53%	9%	11%	11%
Other	1	0%	-	-	-	0	0%	-	-	-
Total	445	100%	7%	5%	5%	145	100%	5%	7%	7%

Bracing and supports

Bracing and supports (B&S sales in 9M 2018 amounted to USD 217 million and grew by 2% organic. B&S sales in Q3 2018 amounted to USD 68 million and grew organic by 2%.

High-end innovative products such as the Unloader solutions continued to be the main growth driver in all market regions. In EMEA, our high-end products also performed well with strong growth. However, our soft goods sales were slow due to a competitive market environment in France and rationalization efforts in selected markets. In the Americas, sales growth was moderate. Sales in the US market were impacted by lower sales to a few large distributors. Our own distribution companies continue to perform well after their restructuring was finalized at the end of 2017. Growth in APAC continues to be strong across all major market regions, most notably in Australia and China. Lastly, growth in countries classified as Emerging Markets was strong in the quarter.

¹ The methodology used to calculate the currency impact is to convert the current quarter operating results on the average exchange rates of the comparable quarter. The delta in sales is then divided by the sales in the comparable quarter to provide the impact on growth.

Prosthetics

High-end innovative products such as bionics and carbon-fiber mechanical feet continued to deliver strong growth in the segment globally. Growth in other product categories was also strong in quarter. Growth in EMEA was good in all major market regions. In the Americas, performance in the US was excellent in the quarter. The strong performance in the US can be attributed to good market acceptance of recently launched products and strong sales in bionics. In APAC, we continue to see strong performance across all major product and market segments. Lastly, growth in countries classified as Emerging Markets was excellent in the quarter.

Sales of bionic products accounted for 22% of prosthetics component sales in the quarter, compared to 20% in Q3 2017.

Gross profit

Gross profit in 9M 2018 amounted to USD 280 million or 63% of sales compared to USD 258 million or 62% of sales in 9M 2017. Gross profit in Q3 2018 amounted to USD 92 million or 64% of sales, compared to USD 87 million or 63% of sales in Q3 2017. Items impacting gross profit margin in the quarter were:

- Positive impact from changes in product mix, driven by strong growth in high-end innovative products in both prosthetics and bracing & supports
- Stable unit cost in manufacturing
- Savings from the ongoing efficiency initiatives
- About 10 basis points positive impact from currency movements

Operating expenses

Special items

Össur expensed one-time costs of USD 6.8 million in Q3 2018. The largest portion of the one-time costs are related to the ongoing efficiency initiatives or roughly USD 6 million. It should be noted that these expenses were expected as they had already been communicated when the efficiency initiatives were first introduced in September 2017. The remainder of the one-time costs or about half a million dollars are related to the two recent acquisitions. In the comparable period in Q3 2017, Össur expensed one-time costs of USD 3 million in relation to the efficiency initiatives.

Operating expenses

Operating expenses in 9M 2018 amounted to USD 223 million or 50% of sales compared to USD 208 million or 50% of sales in 9M 2017. Operating expenses in Q3 2018 amounted to USD 75 million or 52% of sales compared to 71 million or 51% of sales in Q3 2017. Excluding special items, operating expenses in Q3 2018 amounted to USD 68 million or 47% of sales compared to USD 68 million or 49% of sales in Q3 2017. Operating expenses increased by 3% in local currency in Q3 2018 when excluding special items:

- Sales & marketing (S&M) expenses increased by 5% in local currency and amounted to 32% of sales. Growth is mainly due to investments in sales efforts in new business development and emerging markets.
- Research & development (R&D) expenses decreased by 3% in local currency and amounted to 5% of sales. Investments in R&D projects for high-end products were offset by shifts in R&D expenses between quarters. R&D expenses in Q4 are expected to be higher and in line with a higher expense level in the first half of 2018 compared to the first half of 2017.
- General & administrative (G&A) expenses increased by 2% in local currency when excluding special items from the comparable quarter and amounted to 10% of sales.

Efficiency initiatives

In September 2017, Össur announced efficiency initiatives in the areas of manufacturing, distribution, and sourcing to further increase scalability and profitability. The program is on track. As in the first half of the year, additional investments were made in various manufacturing equipment and good progress has been made in several spend categories within the strategic sourcing initiative.

EBITDA

EBITDA before special items in 9M 2018 amounted to USD 82 million or 18% of sales compared to an EBITDA before special items of USD 73 million or 17% of sales in 9M 2017, which corresponds to 10% growth measured in local currency. Currency movements affected the EBITDA margin in 9M 2018 positively by about 20 basis points.

EBITDA before special items in Q3 2018 amounted to USD 30 million or 21% of sales compared to an EBITDA before special items of USD 25 million or 18% of sales in Q3 2017, which corresponds to 22% growth measured in local currency. Currency movements affected the EBITDA margin in Q3 2018 positively by about 20 basis points when unhedged (approx. 30 basis points net of hedge).

Financial items, income tax and net profit

Financial items

Net financial expenses in 9M 2018 amounted to USD 4.6 million compared to USD 4.0 million in 9M 2017. Net financial expenses in Q3 2018 amounted to USD 1.4 million compared to USD 1.4 million in Q3 2017, where the net exchange rate difference was negative by USD 0.5 million compared to a negative USD 0.5 million in Q3 2017.

Effects of investments in associated companies

Effects of investments in associated companies in 9M 2018 amounted to USD 6.8 million compared to USD 0.2 million in 9M 2017. Effects of investments in associated companies in Q3 2018 amounted to USD 4.7 million compared to USD 0.1 million in Q3 2017. The profit represents Össur's share in net profit in minority holdings. However, during Q3 2018 and in relation to the recent acquisitions, a revaluation of previously acquired shares, impacted Effects of investments in associated companies by USD 3.6 million.

Income tax

Income tax in 9M 2018 amounted to USD 14 million, corresponding to 23% effective tax rate, compared to USD 12 million or 26% effective tax rate in 9M 2017. Income tax amounted to USD 5 million in Q3 2018, corresponding to 23% effective tax rate, compared to USD 4 million or 26% effective tax rate in Q3 2017. Lower effective tax rate in 2018 compared to 2017 is due to a lower federal tax rate in the US after the Tax Cuts & Jobs Act was signed in the US in December 2017.

Net profit

Net profit in 9M 2018 amounted to USD 46 million or 10% of sales, compared to USD 35 million or 8% of sales in 9M 2017, an increase of 33% in the period. Net profit in Q3 2018 amounted to USD 16 million or 11% of sales, compared to USD 11 million or 8% of sales in Q3 2017, an increase of 43% in the period. Diluted earnings per share in Q3 2018 amounted to 3.7 US cents compared to 2.6 US cents in Q3 2017, an increase of 44% from Q3 2017.

Cash flow

Cash generated by operations

Cash generated by operations in 9M 2018 amounted to USD 61 million or 14% of sales, compared to USD 56 million or 13% of sales in 9M 2017. Cash generated by operations in Q3 2018 amounted to USD 32 million or 22% of sales, compared to USD 23 million or 16% of sales in Q3 2017. Cash generation in the quarter was strong due to a strong operating result in addition to a reversal of working capital investments in the first half of the year.

Capital expenditures

Capital expenditure in 9M 2018 amounted to USD 23 million or 5% of sales, compared to USD 12 million or 3% of sales in 9M 2017. Capital expenditures in Q3 2018 amounted to USD 7 million or 5% of sales, compared to USD 4 million or 3% of sales in Q3 2017. As in the first half of the year, capital expenditures were relatively high due to investments related to the ongoing efficiency initiatives in addition to various investments in leasehold improvements and integration of a new CRM software.

Capital structure

Net-interest bearing debt

Net interest-bearing debt at the end of 9M 2018 amounted to USD 142 million compared to USD 121 million at year-end 2017. Changes in debt levels are mostly due to our share buyback program, recent acquisitions, dividends, and changes in currency rates. Net interest-bearing debt to EBITDA corresponded to 1.3x at the end of Q3 2018 compared to 1.2x at year-end 2017. 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 EBITDA.

Share buybacks

Since the beginning of 2018, Össur has purchased 4,437,862 of own shares for approximately USD 21 million. Össur acquired 1,006,399 of own shares for approximately USD 5 million in Q3 2018. The purpose of the share buybacks 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 the end of 9M 2018, Össur held 5,919,621 treasury shares.

Financial guidance for 2018

Guidance

	Guidance FY 2018 (current)	Guidance FY 2018 (as per July)	Guidance FY 2018 (as per April)	Guidance FY 2018 (as per February)
Sales growth, organic	4-5%	4-5%	4-5%	4-5%
EBITDA margin (before special items)	~19%	~19%	~19%	~19%
CAPEX as % of sales	~5%	~4%	~4%	~4%
Effective tax rate	23-24%	23-24%	23-24%	23-24%

One change has been made to the financial guidance for the FY 2018 since the Q2 results were published in July 2018. Due to higher than expected capital expenditures related to the ongoing efficiency initiatives, leasehold improvements and the integration of a new CRM software, we expect capital expenditures around 5% of sales for the FY 2018 (previous around 4% of sales).

At current foreign exchange rates, keeping all other factors constant, EBITDA margin is expected to be positively impacted by about 40 basis points in 2018 when compared to 2017. 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 2018.

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 operating results as a substantial part of manufacturing, R&D, and corporate functions are based in Iceland whereas 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 3.0-3.4 million when unhedged. The same movement in the ISK/USD is estimated to have an annual impact the EBITDA in the range of USD 2.2-2.6 million when unhedged. Össur utilizes forward contracts to hedge approximately 50% of the estimated net currency exposure in ISK.

Currency overview

USD	EUR	ISK
Average exchange rate 2017	1.1294	0.0094
Average exchange rate Q1 2018	1.2301	0.0099
Average exchange rate Q2 2018	1.1928	0.0097
Average exchange rate Q3 2018	1.1624	0.0092
Closing rate 23 October 2018	1.1482	0.0084
Estimated average exchange rate for 2018*	1.1834	0.0093
Change in estimated exchange rate 2018 compared with last year's average	5%	-1%

*Estimated average exchange rate is calculated as the average exchange rates of 9M 2018 combined with the closing rates at 23 October 2018 for Q4 2018.

Other matters

Acquisitions

Össur recently made two acquisitions. One acquisition was finalized on the last working day of September with an impact on the balance sheet but no impact on operating income in Q3 2018. The other acquisition was closed in the beginning of October and does therefore not impact the balance sheet or income statement of Q3 2018. Sales in the two entities on a full year basis amount to around USD 40 million combined. The acquired companies have a lower EBITDA margin than Össur on a full year basis and greater seasonality in their operations, where the first quarter of the year is seasonally the weakest and the fourth quarter the strongest.

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

The possibility of an additional duty of 25 percent on a list of products manufactured and imported from China to the United States is currently being discussed by the US authorities. Össur could be impacted as most of its products are manufactured in Iceland, Mexico and in China. Initially, Össur's products were included in the first versions of the lists but in updated versions of the lists they have been removed. Hence, the management currently estimates that there will be no direct impact on Össur's operations or financials due to these duties.

New IFRS Standards

A new IFRS standard, IFRS 16, will be effective on 1 January 2019, with a permission for early adoption. The EU has endorsed the standard. More details and an assessment from the management on the standard can be found in note 34.2 in the full year 2017 Consolidated Financial Statements which can be found as part of our 2017 Annual Report.

Financial calendar and upcoming events & conferences

Q3 2018 conference call details

Össur will host a conference call on Thursday 25 October 2018 at **11:00 CET / 9:00 GMT / 5:00 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.

Financial calendar

Interim Report Q4 2018 and Consolidated Financial Statements for FY 2018	5 February 2019
Annual General Meeting	7 March 2019

Meet with us

HSBC Healthcare Day 2018 (GE)	12 November 2018
Jefferies London Healthcare Conference (UK)	15 November 2018
Nordea Tech & Medtech/Life Science Seminar (SE)	26-27 November 2018
DNB Nordic-American Life Science Conference (US:NY)	29 November 2018
Danske Bank Winter Seminar (DK)	4 December 2018
SEB Nordic Seminar (DK)	7-9 January 2019
Carnegie Nordic Healthcare Seminar (SE)	5-6 March 2019
Barclays Global Healthcare Conference (US:FL)	12-14 March 2019
Goldman Sachs 16 th Annual European Medtech and Healthcare Conference (UK)	4-5 September 2019

For further information

Contact details

Jon Sigurdsson, President & CEO	+354 515 1300	
Sveinn Solvason, CFO	+354 515 1300	
David Hreidarsson, Investor Relations	+354 515 1380	dhreidarsson@ossur.com

Össur corporate announcements by e-mail

If you wish to receive Össur e-mail alerts, please register on our website: www.ossur.com/investors.

About Össur

Össur (NASDAQ OMX: OSSR) is a global leader in non-invasive orthopaedics that help 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 Prosthetics and Bracing & Supports. 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, Europe and Asia, with additional distributors worldwide. 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

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 30 September 2018 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 445.0 million and the net profit amounted to USD 45.9 million. Össur's Consolidated total assets amounted to USD 824.7 million at the end of period, liabilities were USD 313.7 million, and equity was USD 511 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 2018 and operating performance of the period ended 30 September 2018.

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 2018 and confirm them by means of their signatures.

Reykjavík, 25 October 2018

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 2018	9M 2017	Q3 2018	Q3 2017
Net sales	3	445,048	414,830	145,205	138,899
Cost of goods sold		(165,009)	(156,923)	(52,749)	(51,832)
Gross profit		280,039	257,907	92,456	87,067
Other income / (expenses)		126	(29)	49	(21)
Sales and marketing expenses		(146,869)	(137,652)	(46,857)	(45,762)
Research and development expenses		(23,806)	(21,904)	(7,240)	(7,667)
General and administrative expenses		(52,141)	(48,049)	(21,148)	(17,298)
Earnings before interest and tax (EBIT)		57,349	50,273	17,260	16,319
Financial income		1,259	1,442	396	470
Financial expenses		(4,137)	(3,970)	(1,314)	(1,434)
Net exchange rate difference		(1,688)	(1,484)	(467)	(461)
Net financial income / (expenses)		(4,566)	(4,012)	(1,385)	(1,425)
Effects of investments in associates	5	6,835	188	4,714	88
Earnings before tax (EBT)		59,618	46,449	20,589	14,982
Income tax		(13,727)	(11,924)	(4,679)	(3,835)
Net profit		45,891	34,525	15,910	11,147
Attributable to:					
Owners of the Company		45,801	34,569	15,927	11,212
Non-controlling interests		90	(44)	(17)	(65)
Net profit		45,891	34,525	15,910	11,147
Earnings per share					
Earnings per share (US cent)		10.8	8.0	3.7	2.6
Diluted earnings per share (US cent)		10.8	8.0	3.7	2.6

Consolidated Statement of Comprehensive Income

All amounts in USD '000	Notes	9M 2018	9M 2017	Q3 2018	Q3 2017
Net profit		45,891	34,525	15,910	11,147
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedges		77	0	(989)	0
Exchange differences on translating foreign operations		(9,182)	20,337	(535)	7,330
Income tax relating to components of other comprehensive income		(885)	611	(42)	121
Other comprehensive income, net of income tax		(9,990)	20,948	(1,566)	7,451
Total comprehensive income		35,901	55,473	14,344	18,598
Attributable to:					
Owners of the Company		35,811	55,517	14,314	18,663
Non-controlling interests		90	(44)	30	(65)
Total comprehensive income		35,901	55,473	14,344	18,598

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	30.9.2018	31.12.2017
Property, plant and equipment	6	62,038	55,981
Goodwill	7	438,128	414,663
Other intangible assets	8	47,048	45,013
Investment in associates		6,503	14,740
Other financial assets		7,084	7,119
Deferred tax assets		18,811	23,322
Non-current assets		579,612	560,838
Inventories		91,719	82,291
Accounts receivables		98,938	93,058
Other assets		14,650	19,577
Bank balances and cash		39,829	37,272
Current assets		245,136	232,198
Total assets		824,748	793,036

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	30.9.2018	31.12.2017
Issued capital and share premium		102,089	113,524
Reserves		(42,764)	(32,936)
Retained earnings		450,651	419,334
Equity attributable to owners of the Company		509,976	499,922
Non-controlling interest		1,026	539
Total equity		511,002	500,461
Borrowings		182,166	133,487
Deferred tax liabilities		22,332	22,308
Provisions		6,724	6,716
Other financial liabilities		5,295	3,222
Non-current liabilities		216,517	165,733
Borrowings		34	25,198
Accounts payable		26,256	23,448
Taxes payable		7,809	10,116
Provisions		5,219	4,314
Accrued salaries and related expenses		32,261	35,185
Other liabilities		25,650	28,581
Current liabilities		97,229	126,842
Total equity and liabilities		824,748	793,036

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	9M 2018	9M 2017	Q3 2018	Q3 2017
Earnings before interests and tax (EBIT)		57,349	50,273	17,260	16,319
Depreciation and amortization	6, 8	17,598	16,664	6,002	5,747
Loss (profit) on disposal of assets		79	52	83	34
Change in provisions		1,315	1,090	1,577	786
Change in inventories		(9,557)	(4,787)	(2,731)	(2,009)
Change in receivables		(611)	(2,423)	11,842	6,275
Change in payables		(4,974)	(4,877)	(2,259)	(4,274)
Cash generated by operations		61,199	55,992	31,774	22,878
Interest received		1,272	1,383	388	535
Interest paid		(3,960)	(3,672)	(1,095)	(1,239)
Income tax paid		(12,060)	(11,060)	(5,577)	(3,500)
Net cash provided by operating activities		46,451	42,643	25,490	18,674
Purchase of fixed and intangible assets	6, 8	(23,352)	(12,498)	(7,339)	(4,148)
Proceeds from sale of fixed assets		41	22	5	21
Acquisition of subsidiaries		(18,958)	(1,419)	(17,941)	0
Changes in financial assets		4,775	1,465	1,513	(961)
Cash flows to investing activities		(37,494)	(12,430)	(23,762)	(5,088)
Proceeds from long-term borrowings		55,294	700	243	700
Repayments of long-term borrowings		(25,698)	(24,579)	(203)	(67)
Changes in revolving credit facility		(8,224)	31,056	2,649	(14,653)
Payment of dividends		(9,184)	(7,340)	0	0
Increase in subsidiaries that does not affect control		(422)	0	108	0
Change in treasury shares		(15,975)	(34,290)	(2,772)	(4,910)
Cash flows (to) / from financing activities		(4,209)	(34,453)	25	(18,930)
Net change in cash		4,748	(4,240)	1,753	(5,344)
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(1,367)	2,650	(181)	853
Other items held in foreign currencies		(824)	1,227	125	626
Cash at beginning of period		37,272	35,091	38,132	38,593
Cash at end of period		39,829	34,728	39,829	34,728

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
Balance at 1 January 2017	4,933	144,673	1,267	1,553	83	(55,770)	369,689	466,428	763	467,191
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)
Balance at 30 September 2017	4,852	110,464	1,267	2,648	(780)	(34,822)	396,233	479,862	482	480,344
Balance at 1 January 2018	4,849	108,675	1,267	2,968	(718)	(36,453)	419,334	499,922	539	500,461
Net profit							45,801	45,801	90	45,891
Change in cash flow hedges					77			77		77
Translation difference of shares in foreign operations						(10,067)		(10,067)		(10,067)
Total comprehensive income for the period	0	0	0	0	77	(10,067)	45,801	35,811	90	35,901
Payment of dividends							(9,184)	(9,184)	(0)	(9,184)
Share option charge for the period				1,004				1,004		1,004
Share option vested during the period				(842)				(842)		(842)
Change in non-controlling interests							(337)	(337)	(61)	(398)
Sale of treasury shares		9,479					(4,963)	4,516		4,516
Purchase of treasury shares	(32)	(20,882)						(20,914)		(20,914)
Non controlling interest arising on acquisition								0	458	458
Balance at 30 September 2018	4,817	97,272	1,267	3,130	(641)	(46,520)	450,651	509,976	1,026	511,002

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 2017. The Company's Annual Financial Statements can be found on Company's website 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 2017.

2. Quarterly statements

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net sales	145,205	158,215	141,628	153,791	138,899
Cost of goods sold	(52,749)	(59,112)	(53,148)	(56,909)	(51,832)
Gross profit	92,456	99,103	88,480	96,882	87,067
Gross profit margin	64%	63%	62%	63%	63%
Other income / (expenses)	49	121	(44)	(10)	(21)
Sales and marketing expenses	(46,857)	(50,256)	(49,756)	(49,696)	(45,762)
Research and development expenses	(7,240)	(8,437)	(8,129)	(7,006)	(7,667)
General and administrative expenses	(21,148)	(14,414)	(16,579)	(15,623)	(17,298)
EBIT	17,260	26,117	13,972	24,547	16,319
Net financial income / (expenses)	(918)	(984)	(976)	(620)	(964)
Net exchange rate difference	(467)	(671)	(550)	(1,603)	(461)
Effects of investments in associates	4,714	1,081	1,040	(31)	88
EBT	20,589	25,543	13,486	22,293	14,982
Income tax	(4,679)	(5,842)	(3,206)	843	(3,835)
Net profit	15,910	19,701	10,280	23,136	11,147
EBITDA	23,262	31,882	19,803	30,438	22,066
EBITDA margin	16%	20%	14%	20%	16%
EBITDA before special items	30,110	31,882	19,803	30,438	25,066
EBITDA margin before special items	21%	20%	14%	20%	18%

Notes to the Consolidated Financial Statements

3. Net sales

	9M 2018	9M 2017	Q3 2018	Q3 2017
Specified according to geographical segments:				
EMEA	220,814	202,887	66,634	66,029
Americas	188,255	182,371	66,302	62,662
APAC	35,979	29,572	12,269	10,208
Total	445,048	414,830	145,205	138,899
Specified according to product lines:				
Bracing and Supports	216,929	207,949	67,873	68,158
Prosthetics	226,818	206,205	76,966	70,525
Other products	1,301	676	366	216
Total	445,048	414,830	145,205	138,899

4. Sales and expenses split by main currencies

	9M 2018			Q3 2018		
	LCY	USD	%	LCY	USD	%
Sales						
USD	175,332	175,332	40%	62,226	62,226	43%
EUR	105,527	126,184	28%	32,655	37,956	26%
ISK	169,731	1,624	0%	68,295	632	0%
Nordic curr. (SEK, NOK, DKK)		61,123	14%		17,762	12%
Other (GBP, AUD, CAD & Other)		80,785	18%		26,629	19%
Total		445,048	100%		145,205	100%
COGS and OPEX						
USD	144,246	144,246	37%	52,136	52,136	40%
EUR	72,882	87,196	23%	22,424	26,065	20%
ISK	5,001,021	48,117	12%	1,602,666	14,821	12%
Nordic curr. (SEK, NOK, DKK)		59,137	15%		17,552	14%
Other (GBP, MXN, CAD & Other)		49,003	13%		17,371	14%
Total		387,699	100%		127,945	100%
9M 2017						
Q3 2017						
Sales						
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%
Total		414,830	100%		138,899	100%
COGS and OPEX						
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%
Total		364,557	100%		122,580	100%

Notes to the Consolidated Financial Statements

5. Effects of investments in associates

	9M 2018	9M 2017	Q3 2018	Q3 2017
Share in net profit / (loss)	3,224	188	1,103	88
Revaluation	3,611	0	3,611	0
Total	6,835	188	4,714	88

6. Property, plant and equipment

2018	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	13,143	84,954	34,271	13,529	145,897
Additions	8	6,650	7,905	2,350	16,913
Acquired on acquisition of subsidiary	130	401	1,436	372	2,339
Exchange rate differences	(454)	(1,178)	(436)	(292)	(2,360)
Eliminated on disposal	0	(571)	(428)	(192)	(1,191)
At 30 September 2018	12,827	90,256	42,748	15,767	161,598
Depreciation					
At 1 January	9,381	51,981	19,814	8,739	89,915
Charge for the period	295	6,321	3,024	1,771	11,411
Acquired on acquisition of subsidiary	108	183	554	194	1,039
Exchange rate differences	(308)	(952)	(256)	(215)	(1,731)
Eliminated on disposal	0	(484)	(400)	(190)	(1,074)
At 30 September 2018	9,476	57,049	22,736	10,299	99,560
At 30 September 2018	3,351	33,207	20,012	5,468	62,038

Depreciation classified by functional category:	9M 2018	9M 2017	Q3 2018	Q3 2017
Cost of goods sold	6,821	6,216	2,323	2,273
Sales and marketing expenses	1,714	1,421	543	511
Research and development expenses	733	602	306	213
General and administrative expenses	2,143	1,852	758	496
Total	11,411	10,091	3,930	3,493

7. Goodwill

	30.9.2018	31.12.2017
At 1 January	414,663	394,123
Arising on acquisition of subsidiaries	32,250	0
Purchase price allocation	0	2,076
Exchange rate differences	(8,785)	18,464
At end of period	438,128	414,663

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

	30.9.2018	31.12.2017
Americas	266,035	235,673
EMEA	155,611	161,329
APAC	16,482	17,661
Total	438,128	414,663

Notes to the Consolidated Financial Statements

8. Other intangible assets

2018	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	37,647	14,511	14,453	38,850	105,461
Additions	0	64	0	2,161	2,225
Additions - internally generated	0	0	0	4,214	4,214
Acquired on acquisition of subsidiary	0	0	2,645	159	2,804
Fully amortized assets	0	0	0	(83)	(83)
Exchange rate differences	(1,203)	(361)	(521)	(932)	(3,017)
At 30 September 2018	36,444	14,214	16,577	44,369	111,604
Amortization					
At 1 January	30,287	2,787	596	26,778	60,448
Charge for the period	1,788	607	16	3,776	6,187
Fully amortized assets	0	0	0	(83)	(83)
Exchange rate differences	(999)	(65)	(88)	(844)	(1,996)
At 30 September 2018	31,076	3,329	524	29,627	64,556
At 30 September 2018	5,368	10,885	16,053	14,742	47,048

Amortization classified by functional category:	9M 2018	9M 2017	Q3 2018	Q3 2017
Cost of goods sold	837	948	275	316
Sales and marketing expenses	2,927	3,363	876	1,143
Research and development expenses	886	801	290	301
General and administrative expenses	1,537	1,461	631	494
Total	6,187	6,573	2,072	2,254

9. Business Combinations

Össur recently made two acquisitions. One acquisition was finalized on the last working day of September with an impact on the Balance Sheet but no impact on operational income in Q3 2018. The other acquisition was closed in the beginning of October and does therefore not impact the Balance Sheet or Income Statement of Q3 2018. Sales in the two entities on a full year basis amount to around USD 40 million combined.