

## ÖSSUR Q1 RESULTS 2016

### Highlights Q1 2016

- Sales amounted to USD 114 million compared to USD 114 million in Q1 2015, corresponding to 3% growth measured in local currency.
- Gross profit amounted to USD 71 million and 63% of sales, compared to USD 71 million and 63% of sales in Q1 2015.
- EBITDA amounted to USD 19 million or 16% of sales, compared to USD 21 million or 18% of sales in Q1 2015.
- Net profit amounted to USD 9 million or 8% of sales, compared to USD 9 million or 8% of sales in Q1 2015.
- Cash generated by operations amounted to USD 16 million or 14% of sales, compared to USD 7 million or 6% of sales in Q1 2015.
- Dividends of DKK 0.12 per share, corresponding to approximately 16% of the Company's net profit in 2015, were paid at the end of March 2016.
- Registration of the share capital reduction of 3,292,688 shares with a nominal value of ISK 1 each was completed on 21 March 2016.
- On 11 April 2016 Össur acquired Touch Bionics for USD 39 million (cash and debt free basis).
- Össur acquired 1,915,432 of own shares in Q1 2016 for USD 6.4 million. The acquisition of Touch Bionics will not affect Össur's share buyback program.

### Financial Guidance for 2016

The financial guidance for the full year of 2016 is unchanged. Sales growth LCY has been added to the guidance following the acquisition of Touch Bionics.

- Sales growth LCY in the range of 7-9%
- Organic sales growth LCY in the range of 3-5%
- EBITDA margin in the range of 20-21% of sales excluding nonrecurring items
- Capital expenditures in the range of 3-4% of sales
- Effective tax rate around 26%

### Jon Sigurdsson, President & CEO, comments:

*"The sales growth in the quarter is in line with expectations. The first quarter of the year is seasonally our weakest quarter. Americas had strong growth in both business segments where our newly launched Pro-Flex® was well received and contributed to the growth. We experienced a temporary slowdown in EMEA but expect to be back on track for the remainder of the year. Our product pipeline is strong and newly launched products have been performing well. In April, we entered the upper limb prosthetics market with the acquisition of Touch Bionics, which is a leader in the field. With this acquisition we can now offer a complete bionic portfolio to our customers."*

### Conference Call

Össur will host a conference call on Thursday 28 April 2016 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

## Financial Highlights

USD m		Q1 2016	Q1 2015	2015	2014	2013	2012
<b>Income Statement</b>							
Net sales		114	114	483	509	436	399
Gross profit		71	71	303	323	270	248
Operating expenses (excl. other income)		58	55	226	237	210	191
EBIT		14	16	77	86	60	57
Net profit		9	9	51	59	41	38
EBITDA		19	21	97	104	75	70
EBITDA adjusted		19	21	99	104	80	70
<b>Sales growth</b>							
Sales growth USD	%	0	(6)	(5)	17	9	0
Growth breakdown:							
Organic growth in LCY	%	3	4	5	5	2	3
Currency effect	%	(3)	(11)	(10)	(1)	1	(3)
Acquired/divested business	%	0	1	1	13	6	1
<b>Balance Sheet</b>							
Total assets		670	646	653	678	706	591
Equity		467	425	463	442	448	408
Net interest-bearing debt (NIBD)		68	97	58	93	108	82
<b>Cash Flow</b>							
Cash generated by operations		16	7	84	98	73	71
Free cash flow		5	(2)	42	68	49	43
<b>Key ratios</b>							
Gross profit margin	%	63	63	63	63	62	62
EBIT margin	%	12	14	16	17	14	14
EBITDA margin	%	16	18	20	20	17	18
EBITDA adjusted margin	%	16	18	20	20	18	18
Equity ratio	%	70	66	71	65	63	69
Net debt to EBITDA *		0.7	0.9	0.6	0.9	1.4	1.2
Effective tax rate	%	26	26	25	24	26	26
Return on equity *	%	12	13	11	13	10	10
CAPEX / Net sales	%	4.9	4.3	4.9	3.3	3.9	3.6
<b>Market</b>							
Market value of equity		1,685	1,366	1,546	1,311	880	606
Number of shares	Millions	443	446	446	454	454	454
Price/earnings ratio, (P/E) *		32.8	23.9	30.2	22.1	21.7	15.8
Diluted EPS	US cent	2.0	2.0	11.5	13.1	9.1	8.4
Diluted cash EPS	US cent	3.1	3.0	16.0	17.2	12.5	11.3

\*Financial ratios for Q1 2016 and Q1 2015 are based on operations for the preceding 12 months.

## Management's Report

### Q1 HIGHLIGHTS

#### Sales Performance

Sales amounted to USD 114 million compared to USD 114 million in Q1 2015. Sales growth in local currency amounted to 3%. As the acquisition of Touch Bionics materialized in Q2 of 2016 (11 April 2016), local currency growth and local currency organic growth numbers are the same for Q1 2016.

The strengthening of the USD in Q1 2016 compared to Q1 2015 against other major operating currencies impacted the operating results negatively; sales by USD 3 million and EBITDA by USD 1 million.<sup>1</sup>

#### Sales by Segments and Regions in Q1 2016

USD m	Q1 2016	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
EMEA	56	49%	-1%	2%	2%
Americas	51	44%	4%	6%	6%
APAC	7	7%	-9%	-4%	-4%
<b>Total</b>	<b>114</b>	<b>100%</b>	<b>0%</b>	<b>3%</b>	<b>3%</b>

USD m	Q1 2016	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
Bracing and supports	66	58%	0%	3%	3%
Prosthetics	48	42%	0%	3%	3%
Other	0	0%	-21%	-13%	-13%
<b>Total</b>	<b>114</b>	<b>100%</b>	<b>0%</b>	<b>3%</b>	<b>3%</b>

#### Bracing and supports

Bracing and supports sales grew by 3% measured in local currency. Newly launched products were well received in the quarter impacting growth positively. Americas had a strong quarter with good growth across the whole portfolio. EMEA had a slow quarter with the exception of France, which is showing strong growth. Sales in APAC continued to be good.

#### Prosthetics

Prosthetics sales grew by 3% measured in local currency. Bionic sales are showing steady improvements with a positive outlook for coming quarters with the launch of RHEO® 3 XC. The new product pipeline is furthermore good in prosthetics. Growth in Americas was excellent, driven by our newly launched Pro-Flex® foot. Growth in EMEA was unusually low but is expected to be back on track in Q2. The first quarter of the year is seasonally weak and in addition Easter shifted between quarters, affecting especially our clinical business negatively. Sales in APAC was affected by a change in a long term distribution agreement in one of our key markets, which will continue to have a negative effect in Q2 and Q3. In other markets, APAC sales growth continues to be good.

In Q3 of 2015 Medicare contractors announced a draft of a proposal to change certain elements of the reimbursement framework for lower-limb prosthetics. The draft met heavy resistance from the industry. In Q4 of 2015 Medicare announced that it was not adopting the draft which means that, in the short term, there are no changes pending in the reimbursement system. However, Medicare has formed a workgroup to draft a proposal describing current best practices in prosthetic care and identifying research evidence gaps.

Sales of bionic products in the quarter accounted for 15% of prosthetics component sales, compared to 16% in Q1 2015.

#### Operating Expenses

Operating expenses grew in Q1 by 7% compared to Q1 2015, measured in local currency. The relative increase in operating expenses is mainly a result of investments made in the sales and marketing function in EMEA and in R&D. These investments were made in Q2 of last year, and represent the main part of the increase in operating expenses for the full year of 2015. Q1 2016 is therefore the last quarter where these investments will drive growth above the average yearly increase in operating expenses. Growth in operational expenses is expected to come down in the next few quarters and will be 3-4% for the full year (LCY).

<sup>1</sup>The methodology used to calculate the currency impact is to convert the Q1 2016 operating results on the average exchange rates of Q1 2015.

In Q2 2016, USD 3.8 million will be expensed as one-time expenses, of which USD 1.5 million are related to establishment of the shared service center in Poland (as previously communicated) and USD 2.3 million in relation to acquisition and integration costs of Touch Bionics.

## EBITDA

EBITDA amounted to USD 19 million or 16% of sales, compared to USD 21 million or 18% of sales in Q1 2015. EBITDA growth amounted to -5% measured in local currency. Changes in foreign exchange rates impacted EBITDA margin negatively by 0.6 percentage points, mainly due to a stronger ISK.<sup>1</sup>

## Financial Items, Tax and Net Profit

Net financial expenses amounted to USD 1.0 million compared to USD 3.8 million in Q1 2015. Net exchange rate difference was negative by USD 0.3 million compared to negative USD 3.0 million in Q1 2015.

Income tax amounted to USD 3 million, corresponding to 26% effective tax rate, compared to USD 3 million and 26% effective tax rate in Q1 2015.

Net profit amounted to USD 9 million or 8% of sales, compared to USD 9 million or 8% of sales in Q1 2015.

## Cash Flow

Cash generated by operations in the quarter amounted to USD 16 million or 14% of sales, compared to USD 7 million or 6% of sales in Q1 2015. Cash generation in the first quarter of the year is generally weaker compared to the quarterly average due to seasonally low sales, and seasonal working capital investment.

Capital expenditure amounted to USD 5.6 million or 4.9% of sales, compared to USD 4.8 million or 4.3% of sales in Q1 2015. Increase in capital expenditure is related to investment in new manufacturing capabilities in Mexico, and as ratio to sales capital expenditure is expected to come down in the latter half of the year.

## Capital Structure, Share Buybacks and Dividends

Össur's Capital Structure and Dividend policy was updated in February 2016 by the Board of Directors.

### The Capital Structure and Dividend Policy

*Össur's policy is to maintain a healthy balance sheet and a level of net interest bearing debt of 0.5x-1.5x to EBITDA. Excess capital is returned to shareholders via annual cash dividends and/or purchase of own shares. Össur's policy is to distribute a relatively stable cash dividend. The cash dividends will be decided annually in DKK per share. Return of capital to shareholders is based on objectives of maintaining a solid financial position, operational outlook and investment requirements.*

### Share Buybacks and proposal to reduce share capital

In December 2015, Össur initiated a "Safe Harbor" share buyback program on NASDAQ Copenhagen that will be carried out in accordance with the provisions of the European commission's Regulations No. 2273/2003. 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. The Company may purchase up to 5,000,000 shares under the program. The total consideration for shares purchased under the program shall not exceed USD 10 million. The daily purchase shall not exceed 25% of the average volume in the 20 trading days before the purchase. The program will end no later than 1 December 2016, but the company is entitled to discontinue the program at any time. Össur also reserves the right to buy back shares in block trades outside the "Safe Harbor" program with the aim to maintain the desired capital level of net interest bearing debt. Such transactions will only be made in "open windows", i.e. within six weeks from the publication of Össur's financial results, and when no insider information is available.

The Board of Directors proposed to the Annual General Meeting in 2016 to reduce the share capital by ISK 3,292,688 by way of canceling 3,292,688 of the Company's own shares of ISK 1 nominal value each. The motion was approved by the Annual General Meeting. The capital reduction was completed on 21 March 2016. The share capital of Össur is now ISK 443,000,557. At quarter end the Company held 927,032 of own shares. Össur acquired 1,915,432 of own shares in Q1 2016 for approximately USD 6.4 million.

### Dividend for 2015

The Board of Directors proposed to the Annual General Meeting in 2016 that the Company would pay a cash dividend of DKK 0.12 per share for 2015, equivalent to 16% of net earnings in 2015. The motion was approved by the Annual General Meeting and carried out at the end of March 2016.

<sup>1</sup>The methodology used to calculate the currency impact is to convert the Q1 2016 operating results on the average exchange rates of Q1 2015.

## Acquisition of Touch Bionics

On 11 April 2016 Össur acquired Touch Bionics for GBP 27.5 million (USD 39 million) on debt and cash free basis. Touch Bionics is a leading global provider of innovative upper limb prosthesis and supporting services. The acquisition was financed through existing loan facilities. The acquisition does not affect the existing share buyback program. Touch Bionics has over 120 employees with operations in Scotland, Germany, and the United States. In 2015, total sales amounted to GBP 15 million (USD 21 million) with an adjusted EBITDA of GBP 0.9 million (USD 1.3 million). The goodwill amounts to about USD 35 million, of which an estimated 5-10% are considered other intangible assets that will be amortized over a period of approximately 5 years.

With this acquisition Össur enters into the upper limb prosthetic market enabling the Company to offer a complete bionic product portfolio to customers in the prosthetic industry. Together, both companies are well positioned to further strengthen their worldwide market position in both lower and upper limb prosthetics. The acquisition of Touch Bionics is a further display of Össur's commitment to upgrading prosthetic technology resulting in effective clinical outcomes and improved quality of life.

Synergies between the operations of Össur and Touch Bionics are expected to be achieved over the next 2-3 years, ultimately increasing the EBITDA margin of Touch Bionics to a similar level as for Össur. One-time expenses related to the acquisition are expected to amount to USD 2.3 million and will be expensed in Q2 2016.

## General Update

### Shared Service Center

In Q2 2015 Össur opened a shared service center for the finance back office function in Poland to further enhance the scalability of the finance function and to support future growth of the company. One-time expenses related to ongoing build-up of the shared service center of USD 1.5 million are expected in Q2 2016. The expected annual savings are estimated to be around USD 1 million, with full effect from 2017.

### FX Matters

The financials in the quarter are affected by the strengthening of the USD against other major operating currencies. Due to the strengthening of the USD, the absolute numbers in the financials are affected negatively compared to last year. Split of sales and expenses by main currencies can be found in note 4 in the accompanying Consolidated Financial Statements. As can be seen in the note, the EBITDA margin is fairly well hedged for currency movements and one of the key variables for this hedge to hold is that the EUR and the ISK move in tandem to the USD. However, in Q1 the ISK has strengthened versus the USD proportionately more than other major operating currencies resulting in a negative impact on profitability.

### Products

In Q1 2016, 17 new products and product upgrades were introduced to the market; 13 bracing and supports products and 4 prosthetics products. Product highlights during the quarter include:

#### Pro-Flex® XC and Pro-Flex® LP

Two new additions to the Pro-Flex family were introduced in Q1. Pro-Flex® LP is a low profile version for amputees with long residual limbs and Pro-Flex® XC was developed to comfortably accommodate the relatively active user, who enjoys hiking and jogging, as well as level ground walking.

#### Unloader® Hip

The Unloader® Hip brace is designed to reduce pain by optimizing load dispersion and proprioceptive control for patients suffering from mild to moderate hip osteoarthritis (OA), thus contributing to hip stability and improved mobility.

#### Rebound® Hip

Össur's Rebound® Hip brace delivers gentle controlling forces and effective functional range of motion restriction in extension / flexion and abduction / adduction to promote optimal post-surgical outcomes. The low-profile, lightweight design supports patient comfort and compliance. The universal frame and soft good are easy to stock, assemble and fit.

## Financial Calendar and Upcoming Events and Conferences

### Financial Calendar

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Q2 2016 Results	21 July 2016
Q3 2016 Results	26 October 2016
Q4 2016 Results	7 February 2017
2017 Annual General Meeting (IS)	9 March 2017

### Upcoming Events and Conferences

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Goldman Sachs Thirteenth Annual European Medtech and Healthcare Services Conference	7-8 September 2016
Danske Bank Copenhagen Winter Seminar	30 November 2016

### Further information:

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Sveinn Solvason, CFO	Tel: +354 515 1300
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### Össur press releases by e-mail

If you wish to receive Össur press releases by e-mail please register at the web-site: [www.ossur.com/investormailings](http://www.ossur.com/investormailings).

#### **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, Europe and Asia, 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 31 March 2016 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 114.2 million and the net profit amounted to USD 9 million. Össur's Consolidated total assets amounted to USD 670.3 million at the end of period, liabilities were USD 203.7 million, and equity was USD 466.6 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 31 March 2016 and operating performance of the period ended 31 March 2016.

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 31 March 2016 and confirm them by means of their signatures.

Reykjavík, 27 April 2016

### 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 1.1. - 31.3.2016 and 1.1. - 31.3.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015
Net sales	3	114,194	113,785
Cost of goods sold		(42,810)	(42,431)
<b>Gross profit</b>		<b>71,384</b>	<b>71,354</b>
Other income		67	29
Sales and marketing expenses		(40,729)	(38,671)
Research and development expenses		(5,062)	(4,334)
General and administrative expenses		(11,957)	(12,184)
<b>Earnings before interest and tax (EBIT)</b>		<b>13,703</b>	<b>16,194</b>
Financial income		128	58
Financial expenses		(811)	(846)
Net exchange rate difference		(285)	(3,008)
Net financial income / (expenses)	5	(968)	(3,796)
Share in net profit / (loss) of associated companies		(581)	(226)
<b>Earnings before tax (EBT)</b>		<b>12,154</b>	<b>12,172</b>
Income tax		(3,180)	(3,220)
<b>Net profit</b>		<b>8,974</b>	<b>8,952</b>
Attributable to:			
Owners of the Company		8,980	8,929
Non-controlling interests		(6)	23
		<b>8,974</b>	<b>8,952</b>
<b>Earnings per share</b>	6		
Basic earnings per share (US cent)		2.0	2.0
Diluted earnings per share (US cent)		2.0	2.0



## Consolidated Statement of Comprehensive Income

### 1.1. - 31.3.2016 and 1.1. - 31.3.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015
<b>Net profit</b>		8,974	8,952
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in cash flow hedges		46	113
Translation difference of shares in foreign operations		8,435	(17,948)
Income tax relating to components of other comprehensive income		18	(1,163)
		<b>8,499</b>	<b>(18,998)</b>
<b>Total comprehensive income</b>		<b>17,473</b>	<b>(10,046)</b>
Attributable to:			
Owners of the Company		17,479	(10,068)
Non-controlling interests		(6)	23
		<b>17,473</b>	<b>(10,046)</b>

## Consolidated Balance Sheet 31 March 2016 and 31 December 2015

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### Assets

All amounts in USD '000	Notes	31.03.2016	31.12.2015
Property, plant and equipment	7	46,470	44,536
Goodwill	8	375,652	369,238
Other intangible assets	9	35,266	35,119
Other financial assets		9,277	9,779
Deferred tax assets		19,344	17,326
<b>Non-current assets</b>		<b>486,009</b>	<b>475,998</b>
Inventories		70,015	64,882
Accounts receivables		69,271	73,269
Other assets		14,881	13,563
Bank balances and cash	10	30,109	25,707
<b>Current assets</b>		<b>184,276</b>	<b>177,421</b>
<b>Total assets</b>		<b>670,285</b>	<b>653,419</b>

## Consolidated Balance Sheet 31 March 2016 and 31 December 2015

### Equity and liabilities

All amounts in USD '000	Notes	31.03.2016	31.12.2015
Issued capital		169,096	174,524
Reserves		(33,453)	(42,187)
Retained earnings		329,858	329,605
Equity attributable to owners of the Company		465,501	461,942
Non-controlling interest in equity		1,078	1,085
<b>Total equity</b>		<b>466,579</b>	<b>463,027</b>
Borrowings		98,525	83,999
Deferred tax liabilities		24,626	20,952
Provisions		5,009	5,018
Other financial liabilities		0	45
<b>Non-current liabilities</b>		<b>128,160</b>	<b>110,014</b>
Borrowings		48	58
Accounts payable		18,888	16,067
Taxes payable		8,363	11,095
Provisions		2,656	2,939
Accrued salaries and related expenses		29,234	27,910
Other liabilities		16,357	22,309
<b>Current liabilities</b>		<b>75,546</b>	<b>80,378</b>
<b>Total equity and liabilities</b>		<b>670,285</b>	<b>653,419</b>

## Consolidated Statement of Cash Flow 1.1. - 31.3.2016 and 1.1. - 31.3.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015
Profit from operations		13,703	16,194
Depreciation and amortization	7, 9	4,799	4,611
(Gain) / loss on disposal of assets		32	22
Change in provisions		(423)	(126)
Change in inventories		(3,560)	(5,008)
Change in receivables		4,290	(3,751)
Change in payables		(2,804)	(4,709)
<b>Cash generated by operations</b>		<b>16,037</b>	<b>7,233</b>
Interest received		100	104
Interest paid		(857)	(726)
Income tax paid		(4,410)	(3,799)
<b>Net cash provided by operating activities</b>		<b>10,870</b>	<b>2,812</b>
Purchase of fixed and intangible assets	7, 9	(5,582)	(4,848)
Proceeds from sale of fixed assets		30	2
Changes in financial assets		(20)	210
<b>Cash flows from investing activities</b>		<b>(5,572)</b>	<b>(4,636)</b>
Proceeds from long-term borrowings		0	4,417
Repayments of long-term borrowings		(19)	(908)
Changes in revolving credit facility		12,489	0
Payment of dividends		(7,813)	(7,536)
Change in treasury shares		(6,049)	0
<b>Cash flows from financing activities</b>		<b>(1,392)</b>	<b>(4,027)</b>
<b>Net change in cash</b>		<b>3,906</b>	<b>(5,851)</b>
Effects of exchange rate changes on:			
Balance of cash held in foreign currencies		1,110	(3,309)
Other items held in foreign currencies		(614)	1,875
<b>Cash at beginning of period</b>		<b>25,707</b>	<b>28,484</b>
<b>Cash at end of period</b>		<b>30,109</b>	<b>21,199</b>

## Consolidated Statement of Changes in Equity 1.1. - 31.3.2016 and 1.1. - 31.3.2015

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 2015	4,968	164,230	1,267	1,571	(857)	(23,402)	293,055	440,832	1,292	442,124
Net profit							8,929	8,929	23	8,952
Change in cash flow hedges net of tax					86			86		86
Translation difference of shares in foreign operations						(19,084)		(19,084)		(19,084)
Total comprehensive income for the period	0	0	0	0	86	(19,084)	8,929	(10,069)	23	(10,046)
Payment of dividends							(7,536)	(7,536)		(7,536)
Share option charge for the period				180				180		180
<b>Balance at 31 March 2015</b>	<b>4,968</b>	<b>164,230</b>	<b>1,267</b>	<b>1,751</b>	<b>(771)</b>	<b>(42,486)</b>	<b>294,448</b>	<b>423,407</b>	<b>1,316</b>	<b>424,723</b>
Balance at 1 January 2016	4,986	169,538	1,267	856	51	(44,068)	329,312	461,942	1,085	463,027
Net profit							8,980	8,980	(6)	8,974
Change in cash flow hedges net of tax					32			32		32
Translation difference of shares in foreign operations						8,467		8,467		8,467
Total comprehensive income for the period	0	0	0	0	32	8,467	8,980	17,479	(6)	17,473
Payment of dividends							(7,813)	(7,813)	0	(7,813)
Share option charge for the period				175				175		175
Share option vested during the period	3	969		(233)			(621)	118	0	118
Purchase of treasury shares	(15)	(6,385)						(6,400)		(6,400)
<b>Balance at 31 March 2016</b>	<b>4,974</b>	<b>164,122</b>	<b>1,267</b>	<b>798</b>	<b>83</b>	<b>(35,601)</b>	<b>329,858</b>	<b>465,501</b>	<b>1,078</b>	<b>466,579</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 2015. 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 2015.

### 2. Quarterly statements

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales	114,194	124,528	117,311	127,410	113,785
Cost of goods sold	(42,810)	(46,683)	(43,733)	(47,078)	(42,431)
<b>Gross profit</b>	<b>71,384</b>	<b>77,845</b>	<b>73,578</b>	<b>80,332</b>	<b>71,354</b>
Gross profit margin	63%	63%	63%	63%	63%
Other income	67	(13)	50	35	29
Sales and marketing expenses	(40,729)	(40,857)	(37,055)	(41,178)	(38,671)
Research and development expenses	(5,062)	(4,574)	(4,826)	(4,627)	(4,334)
General and administrative expenses	(11,957)	(13,279)	(11,253)	(13,030)	(12,184)
<b>EBIT</b>	<b>13,703</b>	<b>19,122</b>	<b>20,494</b>	<b>21,532</b>	<b>16,194</b>
Net financial income / (expenses)	(683)	(735)	(663)	(802)	(788)
Net exchange rate difference	(285)	(1,122)	(975)	223	(3,008)
Share in profit of associated companies	(581)	(127)	(470)	(126)	(226)
<b>EBT</b>	<b>12,154</b>	<b>17,138</b>	<b>18,386</b>	<b>20,827</b>	<b>12,172</b>
Income tax	(3,180)	(4,553)	(4,281)	(5,306)	(3,220)
<b>Net profit</b>	<b>8,974</b>	<b>12,585</b>	<b>14,105</b>	<b>15,521</b>	<b>8,952</b>
EBITDA	18,502	24,738	25,442	26,510	20,805
EBITDA margin	16%	20%	22%	21%	18%
EBITDA adjusted	18,502	24,738	25,442	27,977	20,805
EBITDA adjusted margin	16%	20%	22%	22%	18%

### 3. Net sales

	YTD 2016	YTD 2015
Specified according to geographical segments:		
EMEA	55,861	56,678
Americas	50,864	48,925
APAC	7,469	8,182
	<b>114,194</b>	<b>113,785</b>
Specified according to product lines:		
Bracing and Supports	66,055	65,792
Prosthetics	47,860	47,657
Other products	279	336
	<b>114,194</b>	<b>113,785</b>

## Notes to the Consolidated Financial Statements

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

	YTD 2016			YTD 2015		
	LCY	USD	%	LCY	USD	%
<b>Sales</b>						
USD	48,771	48,771	43%	47,587	47,587	42%
EUR	29,085	32,057	28%	28,120	31,674	28%
ISK	48,515	378	0%	42,682	320	0%
Nordic curr. (SEK, NOK, DKK)		15,652	14%		16,514	15%
Other (GBP, AUD, CAD & Other)		17,336	15%		17,689	16%
		<b>114,194</b>	<b>100%</b>		<b>113,785</b>	<b>100%</b>
<b>COGS and OPEX</b>						
USD	43,365	43,365	43%	42,237	42,237	43%
EUR	19,069	21,017	21%	17,373	19,569	20%
ISK	1,523,462	11,857	12%	1,427,175	10,690	11%
Nordic curr. (SEK, NOK, DKK)		16,641	17%		17,758	18%
Other (GBP, MXN, CAD & Other)		7,611	7%		7,337	8%
		<b>100,491</b>	<b>100%</b>		<b>97,591</b>	<b>100%</b>

LCY amounts are translated at average exchange rates for relevant periods.

### 5. Financial income / (expenses)

	YTD 2016	YTD 2015
Interests on bank deposits	101	40
Other financial income	27	18
<b>Financial income</b>	<b>128</b>	<b>58</b>
Interests on loans	(578)	(673)
Other financial expenses	(233)	(173)
<b>Financial expenses</b>	<b>(811)</b>	<b>(846)</b>
Net exchange rate differences	(285)	(3,008)
<b>Net financial income / (expenses)</b>	<b>(968)</b>	<b>(3,796)</b>

### 6. Earnings per share

	YTD 2016	YTD 2015
Net profit	8,974	8,952
Total weighted average number of ordinary shares (in thousands)	442,841	441,643
Total weighted average number of shares including potential shares (in thousands)	444,365	445,653
Basic earnings per share (US cent)	2.0	2.0
Diluted earnings per share (US cent)	2.0	2.0
Cash earnings per share	3.1	3.1
Diluted cash earnings per share	3.1	3.0

## Notes to the Consolidated Financial Statements

### 7. Property, plant and equipment

2016	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	Total
<b>Cost</b>					
At 1 January	11,784	65,266	26,614	10,249	113,913
Additions	9	2,532	1,435	374	4,350
Exchange rate differences	456	836	337	250	1,879
Eliminated on disposal	0	(617)	(5)	(6)	(628)
At 31 March 2016	12,249	68,017	28,381	10,867	119,514
<b>Depreciation</b>					
At 1 January	7,913	38,748	14,755	7,961	69,377
Charge for the period	83	1,609	729	463	2,884
Exchange rate differences	276	586	370	116	1,348
Eliminated on disposal	0	(555)	(5)	(5)	(565)
At 31 March 2016	8,272	40,388	15,849	8,535	73,044
<b>At 31 March 2016</b>	<b>3,977</b>	<b>27,629</b>	<b>12,532</b>	<b>2,332</b>	<b>46,470</b>

Depreciation classified by operational category:	YTD 2016	YTD 2015
Cost of goods sold	1,735	1,489
Sales and marketing expenses	343	345
Research and development expenses	127	97
General and administrative expenses	679	664
	<b>2,884</b>	<b>2,595</b>

### 8. Goodwill

	31.03.2016	31.12.2015
At 1 January	369,238	388,100
Exchange rate differences	6,414	(18,862)
	<b>375,652</b>	<b>369,238</b>

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

	31.03.2016	31.12.2015
Americas	221,490	220,405
EMEA	137,687	133,063
APAC	16,475	15,770
	<b>375,652</b>	<b>369,238</b>



## Notes to the Consolidated Financial Statements

### 9. Other intangible assets

2016	Cust./distrib relationships	Patents	Trademarks	Software and other	Total
<b>Cost</b>					
At 1 January	30,423	4,127	13,091	31,070	78,711
Additions	0	77	0	473	550
Additions - internally generated	0	0	0	682	682
Exchange rate differences	922	33	483	(201)	1,237
At 31 March 2016	31,345	4,237	13,574	32,024	81,180
<b>Amortization</b>					
At 1 January	22,981	1,693	467	18,451	43,592
Charge for the period	786	37	0	1,092	1,915
Exchange rate differences	688	24	(42)	(263)	407
At 31 March 2016	24,455	1,754	425	19,280	45,914
<b>At 31 March 2016</b>	<b>6,890</b>	<b>2,483</b>	<b>13,149</b>	<b>12,744</b>	<b>35,266</b>

Amortization classified by operational category:	YTD 2016	YTD 2015
Cost of goods sold	286	263
Sales and marketing expenses	1,294	1,291
Research and development expenses	18	5
General and administrative expenses	317	457
	<b>1,915</b>	<b>2,016</b>

### 10. Bank balances and cash

	31.03.2016	31.12.2015
Bank accounts	27,262	22,183
Bankers draft received	2,759	3,420
Cash and other cash equivalents	88	104
	<b>30,109</b>	<b>25,707</b>

## Notes to the Consolidated Financial Statements

### 11. Share option contracts

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)
Issued to executive management:					
Jón Sigurðsson President and CEO	625,000	2015	2018	21.9	24.1
Members of executive management (2 persons)	700,000	2013	2016	7.8 / 7.9	7.4 / 7.9
Members of executive management (4 persons)	925,000	2015	2018	19.4 / 21.9	19.0 / 24.1
Members of executive management (2 persons)	400,000	2016	2019	22.4	23.0
	2,650,000				
Issued to management team:					
Six managers	300,000	2013	2016	7.7 - 7.9	7.4 - 7.9
Twenty managers	1,200,000	2015	2018	19.4 / 23.9	19.0 / 24.1
Six managers	150,000	2016	2019	22.4	23.0
	1,650,000				
<b>Total issued option contracts</b>	<b>4,300,000</b>				

Movements in share options during the period

	31.03.2016		31.12.2015	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	4,050,000	17.0	5,950,000	8.4
Granted during period	550,000	22.4	2,750,000	21.3
Exercised during period	(300,000)	7.9	(4,650,000)	8.6
<b>Outstanding at end of period</b>	<b>4,300,000</b>	<b>18.3</b>	<b>4,050,000</b>	<b>17.0</b>

Estimated remaining cost due to the share option contracts is USD 1.8 million. An expense of USD 0.2 million (2015: USD 0.5 million) is recognized in the Income Statement for the period.