

ÖSSUR Q2 RESULTS 2016

Highlights Q2 2016

- Sales amounted to USD 139 million compared to USD 127 million in Q2 2015, corresponding to local currency growth of 10% and 5% organic growth.
- Gross profit amounted to USD 89 million or 64% of sales, compared to USD 80 million or 63% of sales in Q2 2015.
- EBITDA amounted to USD 25 million or 18% of sales. Adjusted for one-time expenses, EBITDA amounted to USD 30 million or 22% of sales compared to USD 28 million or 22% of sales in Q2 2015.
- Net profit amounted to USD 15 million or 10% of sales, compared to USD 16 million or 12% of sales in Q2 2015. Net profit is impacted by one-time costs of USD 4.6 million. Net profit adjusted for one-time expenses grew 10% and amounted to 13% of sales.
- Cash generated by operations amounted to USD 16 million or 12% of sales, compared to USD 23 million or 18% of sales in Q2 2015.
- The financial statements for Q2 2016 include the financials of the recently acquired Touch Bionics.
- Össur acquired 5,325,004 of own shares in Q2 2016 for approximately USD 20.8 million.

Financial Guidance for 2016

The financial guidance for the full year of 2016 is unchanged except for capital expenditures.

- Sales growth LCY in the range of 7-9%
- Organic sales growth LCY in the range of 3-5%
- Adjusted EBITDA margin in the range of 20-21% of sales
- Capital expenditures 5% of sales (previously 3-4%)
- Effective tax rate around 26%

Jon Sigurdsson, President & CEO, comments:

"We are pleased to deliver a quarter with strong operational results and good profitability on top of an excellent comparable quarter last year. Americas had an overall strong quarter with excellent prosthetics sales growth. As we expected, EMEA had a good quarter after experiencing a soft Q1. Bracing and supports sales were once again driven by growth of high end innovative products and prosthetics sales by bionic products as well as newly launched products. In April we acquired Touch Bionics, a leader in the upper limb bionic prosthetic market. For the first time we can now offer a complete bionic portfolio to our customers."

Conference Call

Össur will host a conference call on Friday 22 July 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		Q2 2016	Q2 2015	2015	2014	2013	2012
Income Statement							
Net sales		139	127	483	509	436	399
Gross profit		89	80	303	323	270	248
Operating expenses (excl. other income)		69	59	226	237	210	191
EBIT		20	22	77	86	60	57
Net profit		15	16	51	59	41	38
EBITDA		25	27	97	104	75	70
EBITDA adjusted		30	28	99	104	80	70
Sales growth							
Sales growth USD	%	9	(4)	(5)	17	9	0
Growth breakdown:							
Organic growth in LCY	%	5	7	5	5	2	3
Currency effect	%	(1)	(12)	(10)	(1)	1	(3)
Acquired/divested business	%	5	1	1	13	6	1
Balance Sheet							
Total assets		738	674	653	678	706	591
Equity		455	450	463	442	448	408
Net interest-bearing debt (NIBD)		123	85	58	93	108	82
Cash Flow							
Cash generated by operations		16	23	84	98	73	71
Free cash flow		4	12	42	68	49	43
Key ratios							
Gross profit margin	%	64	63	63	63	62	62
EBIT margin	%	14	17	16	17	14	14
EBITDA margin	%	18	21	20	20	17	18
EBITDA adjusted margin	%	22	22	20	20	18	18
Equity ratio	%	62	67	71	65	63	69
Net debt to EBITDA *		1.3	0.8	0.6	0.9	1.4	1.2
Effective tax rate	%	25	25	25	24	26	26
Return on equity *	%	11	12	11	13	10	10
CAPEX / Net sales	%	5.6	6.0	4.9	3.3	3.9	3.6
Market							
Market value of equity		1,641	1,533	1,546	1,311	880	606
Number of shares	Millions	443	446	446	454	454	454
Price/earnings ratio, (P/E) *		32.6	27.7	30.2	22.1	21.7	15.8
Diluted EPS	US cent	3.3	3.5	11.5	13.1	9.1	8.4
Diluted cash EPS	US cent	4.5	4.6	16.0	17.2	12.5	11.3

*Financial ratios for Q2 2016 and Q2 2015 are based on operations for the preceding 12 months.

Management's Report

Q2 HIGHLIGHTS

Sales Performance

Sales amounted to USD 139 million compared to USD 127 million in Q2 2015, corresponding local currency growth of 10% and 5% organic growth.

Recently acquired Touch Bionics, is fully consolidated from beginning of April 2016.

Currency movements have limited impact on the reported sales in the quarter. Changes in foreign exchange rates however have a negative impact on EBITDA margin of about 40 basis points, primarily related to the appreciation of the ISK.

Sales by Segments and Regions in Q2 2016

USD m	Q2 2016	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
EMEA	69	50%	9%	8%	5%
Americas	62	44%	13%	14%	6%
APAC	8	6%	-10%	-7%	-7%
Total	139	100%	9%	10%	5%

USD m	Q2 2016	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
Bracing and supports	75	54%	2%	3%	3%
Prosthetics	64	46%	19%	19%	7%
Other	0	0%	-23%	-18%	-18%
Total	139	100%	9%	10%	5%

Bracing and supports

Bracing and supports sales grew by 3% measured in local currency. B&S sales grew in all markets and across the whole portfolio. High end products continued to contribute positively and our new Form Fit[®] line has been well received. EMEA and APAC had a good quarter with growth in all major markets. Americas sales were on the softer side but with positive outlook for the remainder of the year.

Prosthetics

Prosthetics sales grew by 19% and 7% organic, both measured in local currency. Sales growth was strong in bionics, with good contribution from the RHEO KNEE[®] 3 XC that was launched in the quarter. Growth in Americas was excellent, driven by both the RHEO KNEE[®] 3 and newly launched products. EMEA had an excellent quarter as well with good growth in all major markets and product groups. Sales in APAC continue to be affected by a change in long term distribution agreement in China.

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 amounted to 24% of prosthetics component sales, compared to 16% in Q2 2015. The increase in relative share of bionics sales is related to the acquisition of Touch Bionics, as the vast majority of Touch Bionics sales are bionics.

Gross Profit

Gross profit amounted to USD 89 million or 64% of sales, compared to USD 80 million or 63% of sales in Q2 2015. The increase in the gross profit margin is primarily related to increased production in our Mexico manufacturing facility and positive product mix impact in prosthetics. Product mix impact on gross profit margin is neutral in B&S, despite strong growth in sales of high end B&S products as other lower margin products are showing good growth in the quarter.

The net effect of currency movement affects gross profit margin negatively by 20 basis points, mainly as a result of appreciation of the ISK.

EBITDA

EBITDA amounted to USD 25 million or 18% of sales, compared to USD 27 million or 21% of sales in Q2 2015. EBITDA is affected by one-time items amounting to USD 4.6 million. The one-time items are costs of USD 2.3 million in relation to the Touch Bionics acquisition, approximately USD 1.5 million in relation to the finance shared service center in Poland, and the remaining amount relates to M&A costs and a provision relating to legal disputes with one of our competitors regarding product design. The consolidation of the Touch Bionics business affects EBITDA margin negatively in the quarter by about 60 basis points. Adjusting for one-time items EBITDA amounted to USD 30 million or 22% of sales and grew by 10% measured in local currency.

Financial Items, Tax and Net Profit

Net financial expenses amounted to USD 0.9 million compared to USD 0.9 million in Q2 2015. Net exchange rate difference was positive by USD 0.6 million compared to positive USD 0.2 million in Q2 2015.

Income tax amounted to USD 5 million, corresponding to 25% effective tax rate, compared to USD 5 million and 25% effective tax rate in Q2 2015.

Net profit amounted to USD 15 million or 10% of sales, compared to USD 16 million or 12% of sales in Q2 2015. Adjusting for one-time expenses net profit grew by 10%.

Cash Flow

Cash generated by operations in the quarter amounted to USD 16 million or 12% of sales, compared to USD 23 million or 18% of sales in Q2 2015.

Capital expenditure amounted to USD 8 million or 6% of sales, compared to USD 8 million or 6% of sales in Q2 2015. Capital expenditure in 2016 will be above the normalized level and the historical average. Full year capital expenditure is expected to be 5% of sales but is expected to return back to the historical average (3-4% of sales) in 2017. The main reasons for higher capital expenditure in 2016 are; a move to new facilities in EMEA, new data center, and investments in new manufacturing capabilities and machinery in our Mexico manufacturing facility.

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 20,000,000 shares under the program. The total consideration for shares purchased under the program shall not exceed USD 40 million. The daily purchase shall not exceed 50% 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 5,432,163 of own shares. Össur acquired 5,325,004 of own shares in Q2 2016 for approximately USD 20.8 million.

Acquisition of Touch Bionics

On 11 April 2016 Össur acquired Touch Bionics for GBP 27.5 million (USD 40 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 amounted to USD 2.3 million and were 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 were expensed in Q2 2016. The expected annual savings are estimated to be around USD 1 million, with full effect from 2017.

FX Matters

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 Q2 the ISK has strengthened versus the USD proportionately more than other major operating currencies resulting in a negative impact on profitability.

Products

In Q2 2016, 6 new products and product upgrades were introduced to the market; 3 bracing and supports products and 3 prosthetics products. Product highlights during the quarter include:

RHEO KNEE® 3 XC

RHEO KNEE® XC is an upgraded version of the current RHEO KNEE® 3. It inherits all the RHEO KNEE® 3 features and is complemented with a few additional features that result in higher functionality and an even more dynamic character of the product for high active users. The RHEO KNEE® XC includes hardware and software upgrades from the current RHEO KNEE® 3 and offers additional activity related features such as stair ascent, running/jogging and automatic bicycling detection.

Unloader PF

The Unloader PF is a slim, comfortable and functional knee brace, designed to provide pain relief for patellofemoral osteoarthritis patients, through compression, patella support and multi-directional patella tracking with the unique SmartTracking™ feature.

Form Fit® Knee Hinged Sleeve & Wrap

The Form Fit® knee brace provides dependable support for mild to moderate sprains and strains of the knee. This product serves as an excellent return to sport knee brace or as an orthopedic knee brace for patients with arthritis, meniscus tears, or undergoing rehabilitation.

Financial Calendar and Upcoming Events and Conferences

Financial Calendar

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

Upcoming Events and Conferences

Goldman Sachs Thirteenth Annual European Medtech and Healthcare Services Conference	7-8 September 2016
Danske Bank Copenhagen Winter Seminar	30 November 2016
SEB Nordic Seminar	10-11 January 2017
InvestorDagen - Copenhagen	21 March 2017

Further information:

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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.

About Össur

Össur (NASDAQ: OSSR) is a global leader in non-invasive orthopedics 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

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 June 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 253.2 million and the net profit amounted to USD 23.5 million. Össur's Consolidated total assets amounted to USD 738.1 million at the end of period, liabilities were USD 283.1 million, and equity was USD 455.0 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 June 2016 and operating performance of the period ended 30 June 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 30 June 2016 and confirm them by means of their signatures.

Reykjavík, 21 July 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. - 30.6.2016 and 1.1. - 30.6.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Net sales	3	253,181	241,195	138,987	127,410
Cost of goods sold		(92,432)	(89,509)	(49,622)	(47,078)
Gross profit		160,749	151,686	89,365	80,332
Other income		99	64	32	35
Sales and marketing expenses		(86,978)	(79,849)	(46,249)	(41,178)
Research and development expenses		(10,487)	(8,961)	(5,425)	(4,627)
General and administrative expenses		(29,759)	(25,214)	(17,802)	(13,030)
Earnings before interest and tax (EBIT)		33,624	37,726	19,921	21,532
Financial income		317	119	189	61
Financial expenses		(1,697)	(1,709)	(886)	(863)
Net exchange rate difference		350	(2,785)	635	223
Net financial income / (expenses)	5	(1,030)	(4,375)	(62)	(579)
Share in net profit / (loss) of associated companies		(966)	(352)	(385)	(126)
Earnings before tax (EBT)		31,628	32,999	19,474	20,827
Income tax		(8,098)	(8,526)	(4,918)	(5,306)
Net profit		23,530	24,473	14,556	15,521
Attributable to:					
Owners of the Company		23,541	24,416	14,561	15,487
Non-controlling interests		(11)	57	(5)	34
		23,530	24,473	14,556	15,521
Earnings per share	6				
Basic earnings per share (US cent)		5.3	5.5	3.3	3.5
Diluted earnings per share (US cent)		5.3	5.5	3.3	3.5

Consolidated Statement of Comprehensive Income

1.1. - 30.6.2016 and 1.1. - 30.6.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Net profit		23,530	24,473	14,556	15,521
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedges		45	225	(1)	112
Translation difference of shares in foreign operations		1,413	(11,383)	(7,021)	6,565
Income tax relating to components of other comprehensive income		203	(845)	185	318
		1,661	(12,003)	(6,837)	6,995
Total comprehensive income		25,191	12,470	7,718	22,516
Attributable to:					
Owners of the Company		25,202	12,414	7,723	22,482
Non-controlling interests		(11)	57	(5)	34
		25,191	12,470	7,718	22,516

Consolidated Balance Sheet 30 June 2016 and 31 December 2015

Assets

All amounts in USD '000	Notes	30.06.2016	31.12.2015
Property, plant and equipment	7	50,247	44,536
Goodwill	8	402,568	369,238
Other intangible assets	9	36,330	35,119
Other financial assets		8,714	9,779
Deferred tax assets		18,392	17,326
Non-current assets		516,251	475,998
Inventories		76,846	64,882
Accounts receivables		88,183	73,269
Other assets		14,398	13,563
Bank balances and cash	10	42,451	25,707
Current assets		221,878	177,421
Total assets		738,129	653,419

Consolidated Balance Sheet 30 June 2016 and 31 December 2015

Equity and liabilities

All amounts in USD '000	Notes	30.06.2016	31.12.2015
Issued capital		151,121	174,524
Reserves		(39,974)	(42,187)
Retained earnings		342,753	329,605
Equity attributable to owners of the Company		453,900	461,942
Non-controlling interest in equity		1,081	1,085
Total equity		454,981	463,027
Borrowings		140,554	83,999
Deferred tax liabilities		21,814	20,952
Provisions		4,966	5,018
Other financial liabilities		0	45
Non-current liabilities		167,334	110,014
Borrowings		25,278	58
Accounts payable		19,774	16,067
Taxes payable		9,218	11,095
Provisions		5,924	2,939
Accrued salaries and related expenses		29,987	27,910
Other liabilities		25,633	22,309
Current liabilities		115,814	80,378
Total equity and liabilities		738,129	653,419

Consolidated Statement of Cash Flow

1.1. - 30.6.2016 and 1.1. - 30.6.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Profit from operations		33,624	37,726	19,921	21,532
Depreciation and amortization	7, 9	10,201	9,589	5,402	4,978
(Gain) / loss on disposal of assets		39	94	7	72
Change in provisions		2,488	1,012	2,911	1,138
Change in inventories		(9,477)	(4,708)	(5,917)	300
Change in receivables		(5,858)	(9,678)	(10,148)	(5,927)
Change in payables		1,459	(4,135)	4,263	574
Cash generated by operations		32,476	29,900	16,439	22,667
Interest received		315	118	215	14
Interest paid		(1,540)	(1,620)	(683)	(894)
Income tax paid		(8,924)	(6,004)	(4,514)	(2,205)
Net cash provided by operating activities		22,327	22,394	11,457	19,582
Purchase of fixed and intangible assets	7, 9	(13,394)	(12,515)	(7,812)	(7,667)
Proceeds from sale of fixed assets		43	20	13	18
Acquisition of subsidiaries		(40,080)	(443)	(40,080)	(443)
Changes in financial assets		140	(448)	160	(658)
Cash flows from investing activities		(53,291)	(13,386)	(47,719)	(8,750)
Proceeds from long-term borrowings		0	3,093	0	163
Repayments of long-term borrowings		(19)	(941)	0	(33)
Changes in revolving credit facility		81,573	(7,134)	69,084	(8,621)
Payment of dividends		(7,813)	(7,536)	0	0
Change in treasury shares		(25,724)	2,856	(19,675)	2,856
Cash flows from financing activities		48,017	(9,662)	49,409	(5,635)
Net change in cash		17,053	(654)	13,147	5,197
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		531	(2,250)	(579)	1,059
Other items held in foreign currencies		(840)	1,352	(226)	(523)
Cash at beginning of period		25,707	28,484	30,109	21,199
Cash at end of period		42,451	26,932	42,451	26,932

Consolidated Statement of Changes in Equity 1.1. - 30.6.2016 and 1.1. - 30.6.2015

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							24,416	24,416	57	24,473
Change in cash flow hedges net of tax					171			171		171
Translation difference of shares in foreign operations						(12,174)		(12,174)		(12,174)
Total comprehensive income for the period	0	0	0	0	171	(12,174)	24,416	12,413	57	12,470
Payment of dividends							(7,536)	(7,536)		(7,536)
Share option charge for the period				414				414		414
Share option vested during the period	18	6,930		(660)			(3,433)	2,855		2,855
Acquisition of Non-controlling interests							(231)	(231)		(231)
Balance at 30 June 2015	4,986	171,160	1,267	1,325	(686)	(35,576)	306,271	448,747	1,349	450,096
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							23,541	23,541	(11)	23,530
Change in cash flow hedges net of tax					32			32		32
Translation difference of shares in foreign operations						1,629		1,629		1,629
Total comprehensive income for the period	0	0	0	0	32	1,629	23,541	25,202	(11)	25,191
Payment of dividends							(7,813)	(7,813)	0	(7,813)
Share option charge for the period				494				494		494
Share option vested during the period	9	3,613		(235)			(2,321)	1,066	0	1,066
Change in Non-controlling interests							34	34	8	42
Purchase of treasury shares	(58)	(26,967)						(27,025)		(27,025)
Balance at 30 June 2016	4,937	146,184	1,267	1,115	83	(42,439)	342,753	453,900	1,081	454,981

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.

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

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net sales	138,987	114,194	124,528	117,311	127,410
Cost of goods sold	(49,622)	(42,810)	(46,683)	(43,733)	(47,078)
Gross profit	89,365	71,384	77,845	73,578	80,332
Gross profit margin	64%	63%	63%	63%	63%
Other income	32	67	(13)	50	35
Sales and marketing expenses	(46,249)	(40,729)	(40,857)	(37,055)	(41,178)
Research and development expenses	(5,425)	(5,062)	(4,574)	(4,826)	(4,627)
General and administrative expenses	(17,802)	(11,957)	(13,279)	(11,253)	(13,030)
EBIT	19,921	13,703	19,122	20,494	21,532
Net financial income / (expenses)	(697)	(683)	(735)	(663)	(802)
Net exchange rate difference	635	(285)	(1,122)	(975)	223
Share in profit of associated companies	(385)	(581)	(127)	(470)	(126)
EBT	19,474	12,154	17,138	18,386	20,827
Income tax	(4,918)	(3,180)	(4,553)	(4,281)	(5,306)
Net profit	14,556	8,974	12,585	14,105	15,521
EBITDA	25,323	18,502	24,738	25,442	26,510
EBITDA margin	18%	16%	20%	22%	21%
EBITDA adjusted	29,931	18,502	24,738	25,442	27,977
EBITDA adjusted margin	22%	16%	20%	22%	22%

3. Net sales

	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Specified according to geographical segments:				
EMEA	125,316	120,655	69,455	63,977
Americas	112,423	103,483	61,559	54,558
APAC	15,442	17,057	7,973	8,875
	253,181	241,195	138,987	127,410
Specified according to product lines:				
Bracing and Supports	141,259	139,378	75,204	73,586
Prosthetics	111,358	101,127	63,498	53,470
Other products	564	690	285	354
	253,181	241,195	138,987	127,410

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	YTD 2016			Q2 2016		
	LCY	USD	%	LCY	USD	%
Sales						
USD	107,163	107,163	42%	58,392	58,392	42%
EUR	61,974	69,193	28%	32,889	37,136	27%
ISK	103,838	821	0%	55,323	443	0%
Nordic curr. (SEK, NOK, DKK)		37,986	15%		22,334	16%
Other (GBP, AUD, CAD & Other)		38,018	15%		20,682	15%
		253,181	100%		138,987	100%
COGS and OPEX						
USD	88,749	88,749	40%	45,384	45,384	38%
EUR	40,072	44,732	20%	21,003	23,715	20%
ISK	2,988,024	23,593	11%	1,464,562	11,736	10%
Nordic curr. (SEK, NOK, DKK)		36,302	17%		19,661	17%
Other (GBP, MXN, CAD & Other)		26,182	12%		18,571	15%
		219,557	100%		119,066	100%

	YTD 2015			Q2 2015		
	LCY	USD	%	LCY	USD	%
Sales						
USD	100,865	100,865	42%	53,278	53,278	42%
EUR	59,053	65,908	27%	30,933	34,234	27%
ISK	86,250	646	0%	43,568	326	0%
Nordic curr. (SEK, NOK, DKK)		38,042	16%		21,528	17%
Other (GBP, AUD, CAD & Other)		35,734	15%		18,044	14%
		241,195	100%		127,410	100%
COGS and OPEX						
USD	82,513	82,513	41%	40,276	40,276	38%
EUR	39,325	43,890	21%	21,952	24,321	23%
ISK	2,853,865	21,375	11%	1,426,690	10,685	10%
Nordic curr. (SEK, NOK, DKK)		37,220	18%		19,462	18%
Other (GBP, MXN, CAD & Other)		18,471	9%		11,134	11%
		203,469	100%		105,878	100%

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

5. Financial income / (expenses)

	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Interests on bank deposits	247	90	146	50
Other financial income	70	29	43	11
Financial income	317	119	189	61
Interests on loans	(1,241)	(1,347)	(663)	(674)
Other financial expenses	(456)	(362)	(223)	(189)
Financial expenses	(1,697)	(1,709)	(886)	(863)
Net exchange rate differences	350	(2,785)	635	223
Net financial income / (expenses)	(1,030)	(4,375)	(62)	(579)

Notes to the Consolidated Financial Statements

6. Earnings per share

	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Net profit	23,530	24,473	14,556	15,521
Total weighted average number of ordinary shares (in thousands)	441,179	442,326	444,795	443,001
Total weighted average number of shares including potential shares (in thousands)	442,678	445,667	446,057	446,085
Basic earnings per share (US cent)	5.3	5.5	3.3	3.5
Diluted earnings per share (US cent)	5.3	5.5	3.3	3.5
Cash earnings per share	7.6	7.7	4.5	4.6
Diluted cash earnings per share	7.6	7.6	4.5	4.6

7. Property, plant and equipment

2016	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	Total
Cost					
At 1 January	11,784	65,266	26,614	10,249	113,913
Additions	24	5,968	3,192	1,921	11,105
Acquired on acquisition of subsidiary	0	2,227	1,400	627	4,254
Exchange rate differences	293	235	(255)	65	338
Eliminated on disposal	0	(655)	(32)	(15)	(702)
Fully depreciated assets	(85)	(184)	(65)	(358)	(692)
At 30 June 2016	12,016	72,857	30,854	12,489	128,216
Depreciation					
At 1 January	7,913	38,748	14,755	7,961	69,377
Charge for the period	167	3,539	1,564	971	6,241
Acquired on acquisition of subsidiary	0	1,705	1,005	498	3,208
Exchange rate differences	192	135	137	(9)	455
Eliminated on disposal	0	(576)	(31)	(13)	(620)
Fully depreciated assets	(85)	(184)	(65)	(358)	(692)
At 30 June 2016	8,187	43,367	17,365	9,050	77,969
At 30 June 2016	3,829	29,490	13,489	3,439	50,247

Depreciation classified by operational category:	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Cost of goods sold	3,680	3,287	1,945	1,798
Sales and marketing expenses	840	717	497	372
Research and development expenses	254	203	127	106
General and administrative expenses	1,467	1,309	788	645
	6,241	5,516	3,357	2,921

8. Goodwill

	30.06.2016	31.12.2015
At 1 January	369,238	388,100
Arising on acquisition of subsidiaries	32,735	0
Exchange rate differences	595	(18,862)
	402,568	369,238

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

	30.06.2016	31.12.2015
Americas	221,734	220,405
EMEA	164,800	133,063
APAC	16,034	15,770
	402,568	369,238

Notes to the Consolidated Financial Statements

9. Other intangible assets

2016	Cust./distrib relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	30,423	4,127	13,091	31,070	78,711
Additions	0	155	0	991	1,146
Additions - internally generated	0	0	0	1,143	1,143
Acquired on acquisition of subsidiary	0	1,231	0	2,865	4,096
Fully depreciated assets	0	(441)	0	(1,662)	(2,103)
Exchange rate differences	297	(59)	82	(144)	176
At 30 June 2016	30,720	5,013	13,173	34,263	83,169
Amortization					
At 1 January	22,981	1,693	467	18,451	43,592
Charge for the period	1,593	82	4	2,281	3,960
Acquired on acquisition of subsidiary	0	250	0	1,161	1,411
Fully depreciated assets	0	(441)	0	(1,662)	(2,103)
Exchange rate differences	225	(16)	(186)	(44)	(21)
At 30 June 2016	24,799	1,568	285	20,187	46,839
At 30 June 2016	5,921	3,445	12,888	14,076	36,330

Amortization classified by operational category:	YTD 2016	YTD 2015	Q2 2016	Q2 2015
Cost of goods sold	536	528	250	265
Sales and marketing expenses	2,618	2,616	1,324	1,325
Research and development expenses	127	39	109	34
General and administrative expenses	679	890	362	433
	3,960	4,073	2,045	2,057

10. Bank balances and cash

	30.06.2016	31.12.2015
Bank accounts	39,543	22,183
Bankers draft received	2,816	3,420
Cash and other cash equivalents	92	104
	42,451	25,707

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	1,250,000	2015 / 2016	2018 / 2019	21.9 / 25.9	24.1 / 25.8
Members of executive management (4 persons)	925,000	2015	2018	19.4 / 21.9	19.0 / 24.1
Members of executive management (3 persons)	625,000	2016	2019	22.4 / 25.9	23.0 / 25.8
	2,800,000				
Issued to management team:					
Two managers	200,000	2013	2016	7.9	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
	1,550,000				
Total issued option contracts	4,350,000				

Movements in share options during the period

	30.06.2016		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	1,400,000	24.5	2,750,000	21.3
Exercised during period	(1,100,000)	7.8	(4,650,000)	8.6
Outstanding at end of period	4,350,000	21.7	4,050,000	17.0

Estimated remaining cost due to the share option contracts is USD 2.2 million. An expense of USD 0.5 million (2015: USD 0.4 million) is recognized in the Income Statement for the period.

12. Business combinations

At the beginning of April Össur acquired Touch Bionics Limited, a leading global provider of innovative upper limb prostheses and supporting services. Touch Bionics has over 120 employees with operations in Scotland, Germany, and the United States. In 2015, total sales amounted to USD 21 million with an adjusted EBITDA of USD 1.3 million. The purchase price was USD 40 million, on a debt and cash free basis. The acquisition is financed through existing loan facilities. Acquisition related costs amounting to USD 2.3 million are expensed in the current period.

Assets acquired and liabilities recognized at the date of acquisition:

	11.4.2016
Current assets	10,332
Non-current assets	4,180
Current liabilities	(7,587)
	6,925
Consideration paid in cash	40,080
Book value of identifiable net assets acquired	(6,925)
Fair value of identifiable net assets acquired (to be completed)	0
Goodwill arising on acquisition	33,155

At the date of finalization of these consolidated financial statements, the necessary valuations and other calculations had not been finalized. It is estimated that fair value will not materially differ from book value. Non of the goodwill arising on this acquisitions is expected to be deductible for tax purposes.

13. Events after the reporting period

At the beginning of July Össur made a minority investment. The investment will be accounted for as an associated company. The results, assets and liabilities of the associate will be incorporated in the Consolidated Financial Statements using the equity method of accounting. The purchase price is USD 8.4 million. The acquisition is financed through existing loan facilities.