

ÖSSUR Q3 RESULTS 2016

Highlights Q3 2016

- Sales amounted to USD 129 million compared to USD 117 million in Q3 2015, corresponding to local currency growth of 11% and 5% organic growth.
- Gross profit amounted to USD 81 million or 63% of sales, compared to USD 74 million or 63% of sales in Q3 2015.
- EBITDA amounted to USD 24 million or 19% of sales compared to USD 25 million or 22% of sales in Q3 2015.
- Net profit amounted to USD 13 million or 10% of sales, compared to USD 14 million or 12% of sales in Q3 2015.
- Cash generated by operations amounted to USD 27 million or 21% of sales, compared to USD 23 million or 20% of sales in Q3 2015.
- On September 1, Össur acquired Medi Prosthetics. The income statement for Q3 2016 therefore includes Medi Prosthetics for the month of September only.
- Össur acquired 301,621 of own shares in Q3 2016 for approximately USD 1.2 million.

Financial Guidance for 2016

We are revising the financial guidance for the full year of 2016. Due to recent acquisitions we are upgrading sales growth measured in local currency from the range of 7-9% to the range of 8-10%. Adjusted EBITDA margin is now expected to be approximately 19%. The downwards revision of the EBITDA margin is mainly due to adverse currency movements, specifically the strengthening of the ISK, and impact from the Medi Prosthetics acquisition which is expected to be temporary while the acquired business is being integrated and synergies realized. The revised guidance is as follows:

- Sales growth LCY in the range of 8-10% (previously 7-9%)
- Organic sales growth LCY in the range of 3-5% (unchanged)
- Adjusted EBITDA margin around 19% of sales (previously 20-21%)
- Capital expenditures 5% of sales (unchanged)
- Effective tax rate around 26% (unchanged)

Jon Sigurdsson, President & CEO, comments:

"The sales growth in the quarter was good. Prosthetics growth was excellent, driven by bionics and newly launched products. In September we acquired Medi Prosthetics. Medi Prosthetics is a global provider of mechanical limb prosthetic components. This acquisition enables us to take another step to complete our prosthetics offering and further strengthen our global market position. Due to adverse currency movements, mainly the strengthening of the ISK, and temporary impact from the Medi Prosthetics acquisition we have revised our guidance for the full year."

Conference Call

Össur will host a conference call on Thursday October 27 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		Q3 2016	Q3 2015	2015	2014	2013	2012
Income Statement							
Net sales		129	117	483	509	436	399
Gross profit		81	74	303	323	270	248
Operating expenses (excl. other income)		62	53	226	237	210	191
EBIT		19	20	77	86	60	57
Net profit		13	14	51	59	41	38
EBITDA		24	25	97	104	75	70
EBITDA adjusted		24	25	99	104	80	70
Sales growth							
Sales growth USD	%	10	(7)	(5)	17	9	0
Growth breakdown:							
Organic growth in LCY	%	5	3	5	5	2	3
Currency effect	%	(1)	(10)	(10)	(1)	1	(3)
Acquired/divested business	%	6	0	1	13	6	1
Balance Sheet							
Total assets		755	661	653	678	706	591
Equity		466	461	463	442	448	408
Net interest-bearing debt (NIBD)		139	69	58	93	108	82
Cash Flow							
Cash generated by operations		27	23	84	98	73	71
Free cash flow		16	14	42	68	49	43
Key ratios							
Gross profit margin	%	63	63	63	63	62	62
EBIT margin	%	15	17	16	17	14	14
EBITDA margin	%	19	22	20	20	17	18
EBITDA adjusted margin	%	19	22	20	20	18	18
Equity ratio	%	62	70	71	65	63	69
Net debt to EBITDA *		1.5	0.7	0.6	0.9	1.4	1.2
Effective tax rate	%	26	23	25	24	26	26
Return on equity *	%	11	12	11	13	10	10
CAPEX / Net sales	%	4.7	4.0	4.9	3.3	3.9	3.6
Market							
Market value of equity		1,709	1,402	1,546	1,311	880	606
Number of shares	Millions	443	446	446	454	454	454
Price/earnings ratio, (P/E) *		34.7	26.2	30.2	22.1	21.7	15.8
Diluted EPS	US cent	3.0	3.1	11.5	13.1	9.1	8.4
Diluted cash EPS	US cent	4.2	4.1	16.0	17.2	12.5	11.3

*Financial ratios for Q3 2016 and Q3 2015 are based on operations for the preceding 12 months.

Management's Report

Q3 HIGHLIGHTS

Sales Performance

Sales amounted to USD 129 million compared to USD 117 million in Q3 2015, corresponding local currency growth of 11% and 5% organic growth.

Due to primarily the appreciation of the ISK against the USD and the depreciation of the GBP against the USD, currency movements in Q3 2016 compared to Q3 2015 impacted the operating results negatively; sales by USD 1 million and EBITDA by USD 1 million.

Sales by Segments and Regions in Q3 2016

USD m	Q3 2016	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
EMEA	58	45%	8%	11%	5%
Americas	62	48%	14%	14%	8%
APAC	9	7%	-2%	-3%	-3%
Total	129	100%	10%	11%	5%

USD m	Q3 2016	% of sales	Sales growth USD	Sales growth LCY	Organic sales growth LCY
Bracing and supports	66	51%	0%	1%	1%
Prosthetics	63	49%	24%	25%	11%
Other	0	0%	-55%	-54%	-54%
Total	129	100%	10%	11%	5%

Bracing and supports

Bracing and supports sales grew by 1% measured in local currency. High end innovative products continued to contribute positively. We continued building our newly launched Form Fit® line by releasing 6 new Form Fit® products in the quarter. The Form Fit® line is a comprehensive collection of quality support solutions that is a part of the injury solutions product portfolio. Sales growth was entirely driven by EMEA with good performance in France. Sales were flat in Americas with positive outlook going forward. Sales in APAC were soft in the quarter. Sales performance in APAC has historically been volatile between quarters due to relatively high sales to few large distributors.

Prosthetics

Prosthetics sales grew by 25% and 11% 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 Q2 2016. EMEA and Americas both had an excellent quarter where bionics and newly launched products performed well. Sales in APAC continue to be affected by a change in sales model 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. No new information has been made public regarding this matter since Medicare announced that it was not adopting the draft.

Sales of bionic products in the quarter amounted to 23% of prosthetics component sales, compared to 15% in Q3 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 as well as good growth in the existing bionic products.

Gross Profit

Gross profit amounted to USD 81 million or 63% of sales, compared to USD 74 million or 63% of sales in Q3 2015. Product mix impact from prosthetics was positive driven by bionics and newly launched products. Product mix impact from B&S was neutral despite good growth in sales of high end B&S products as other lower margin products showed good growth in the quarter as well.

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

EBITDA

EBITDA amounted to USD 24 million or 19% of sales, compared to USD 25 million or 22% of sales in Q3 2015. EBITDA grew 2% in the quarter measured in local currency.

Currency movements affected the EBITDA margin negatively by about 80 basis points, furthermore the consolidation of the recently acquired companies affected the EBITDA margin negatively by about 90 basis points as the EBITDA margin is lower in the Medi Prosthetics and Touch Bionics business.

Growth in operating expenses exceeded organic sales growth and therefore had a negative effect on both EBITDA growth and EBITDA margin in the quarter. Investment in process improvements and other projects with focus on future improvements were the main reason for the aforementioned growth. We expect growth in operating expenses in both Q4 and for the full year to be more in line with sales growth.

Financial Items, Tax and Net Profit

Net financial expenses amounted to USD 1.2 million compared to USD 1.6 million in Q3 2015. Net exchange rate difference was negative by USD 0.4 million compared to negative USD 1.0 million in Q3 2015.

Income tax amounted to USD 4 million, corresponding to 26% effective tax rate, compared to USD 4 million and 23% effective tax rate in Q3 2015.

Net profit amounted to USD 13 million or 10% of sales, compared to USD 14 million or 12% of sales in Q3 2015.

Cash Flow

Cash generated by operations in the quarter amounted to USD 27 million or 21% of sales, compared to USD 23 million or 20% of sales in Q3 2015. Cash generated by operations in the quarter was good. Furthermore, contribution from working capital in the quarter was positive, returning to more normalized level compared to Q2 2016.

Capital expenditure amounted to USD 6 million or 5% of sales, compared to USD 5 million or 4% of sales in Q3 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 datacenter, 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 5,655,090 of own shares. Össur acquired 301,621 of own shares in Q3 2016 for approximately USD 1.2 million.

Acquisition of Medi Prosthetics

On September 1 2016 Össur acquired Medi Prosthetics from Medi. Medi Prosthetics is a global provider of mechanical lower limb prosthetic components, located in Bayreuth, Germany. In 2015 total sales amounted to EUR 15 million (USD 17 million). The integration of the business is expected to be concluded in 2017.

This acquisition enables Össur to take another step to complete its prosthetics offering and further strengthen its global market position. Medi Prosthetics offers a well-respected mechanical product line with strongholds in the knee and liner segment.

Acquisition of Touch Bionics

On April 11 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).

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.

Revised Guidance

The financial guidance for the full year of 2016 has been revised.

Due to recent acquisitions we are upgrading sales growth measured in local currency from the range of 7-9% to the range of 8-10%. Adjusted EBITDA margin is now expected to be approximately 19%. The downwards revision of the EBITDA margin is mainly due to adverse currency movements, specifically the strengthening of the ISK, and impact from the Medi Prosthetics acquisition which is expected to be temporary while the acquired business is being integrated and synergies realized. Capital expenditures and effective tax rate are expected to be the same, 5% and 26% respectively, for the full year.

General Update

FX Matters

The financials in the quarter are affected negatively by currency movements. Mainly due to the depreciation of the GBP against the USD and the appreciation of the ISK against the USD. 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 Q3 the ISK has strengthened versus the USD proportionately more than other major operating currencies, including the EUR, resulting in a negative impact on profitability.

Products

In Q3 2016, 20 new products and product upgrades were introduced to the market; 18 bracing and supports products and 2 prosthetics products. Product highlights during the quarter include:

Form Fit® Walker

The Form Fit® Walker provides immobilization for patients suffering from soft tissue injury; grades 2 and 3 strains and sprains; and stable fractures. Features and benefits include; High and low top versions, shock absorbing sole that reduces impact during heel strike, low and wide rocker bottom that promotes a stable and natural gate, and a breathable, seamless liner.

Form Fit® Universal Wrist & Thumb

The Form Fit® Universal Wrist & Thumb products are designed to restrict motion of the wrist and the thumb. Providing immobilization of the wrist and thumb makes the product ideal during the rehabilitation and healing of injuries to the wrist and thumb. This brace is ideal for mild to moderate sprains and strains, tendonitis, post-cast healing, and other selected soft tissue injuries.

Financial Calendar and Upcoming Events and Conferences

Financial Calendar

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

Upcoming Events and Conferences

Danske Bank Copenhagen Winter Seminar	November 30 2016
SEB Nordic Seminar	January 10-11 2017
Carnegie Healthcare Seminar	March 16 2017
InvestorDagen – Copenhagen	March 21 2017

Further information:

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Össur press releases by e-mail

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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 September 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 382.3 million and the net profit amounted to USD 36.5 million. Össur's Consolidated total assets amounted to USD 755.0 million at the end of period, liabilities were USD 289.4 million, and equity was USD 465.6 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 30 September 2016 and operating performance of the period ended 30 September 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 September 2016 and confirm them by means of their signatures.

Reykjavík, 26 October 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. - 30.9.2016 and 1.1. - 30.9.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Net sales	3	382,339	358,506	129,158	117,311
Cost of goods sold		(140,423)	(133,242)	(47,991)	(43,733)
Gross profit		241,916	225,264	81,167	73,578
Other income / expenses		57	114	(42)	50
Sales and marketing expenses		(129,396)	(116,904)	(42,418)	(37,055)
Research and development expenses		(16,277)	(13,787)	(5,790)	(4,826)
General and administrative expenses		(43,812)	(36,467)	(14,053)	(11,253)
Earnings before interest and tax (EBIT)		52,488	58,220	18,864	20,494
Financial income		592	262	275	143
Financial expenses		(2,814)	(2,515)	(1,117)	(806)
Net exchange rate difference		(56)	(3,760)	(406)	(975)
Net financial income / (expenses)	5	(2,278)	(6,013)	(1,248)	(1,638)
Share in net profit / (loss) of associated companies		(1,128)	(822)	(162)	(470)
Earnings before tax (EBT)		49,082	51,385	17,454	18,386
Income tax		(12,572)	(12,807)	(4,474)	(4,281)
Net profit		36,510	38,578	12,980	14,105
Attributable to:					
Owners of the Company		36,665	38,595	13,124	14,179
Non-controlling interests		(155)	(17)	(144)	(74)
		36,510	38,578	12,980	14,105
Earnings per share	6				
Basic earnings per share (US cent)		8.3	8.5	3.0	3.1
Diluted earnings per share (US cent)		8.3	8.4	3.0	3.1

Consolidated Statement of Comprehensive Income

1.1. - 30.9.2016 and 1.1. - 30.9.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Net profit		36,510	38,578	12,980	14,105
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedges		45	321	0	96
Translation difference of shares in foreign operations		(507)	(16,885)	(1,919)	(5,502)
Income tax relating to components of other comprehensive income		356	(536)	153	309
		(106)	(17,100)	(1,766)	(5,097)
Total comprehensive income		36,404	21,478	11,213	9,007
Attributable to:					
Owners of the Company		36,559	21,495	11,357	9,082
Non-controlling interests		(155)	(17)	(144)	(74)
		36,404	21,478	11,213	9,007

Consolidated Balance Sheet 30 September 2016 and 31 December 2015

Assets

All amounts in USD '000	Notes	30.09.2016	31.12.2015
Property, plant and equipment	7	53,239	44,536
Goodwill	8	416,096	369,238
Other intangible assets	9	35,494	35,119
Other financial assets		18,450	9,779
Deferred tax assets		18,035	17,326
Non-current assets		541,314	475,998
Inventories		80,831	64,882
Accounts receivables		86,558	73,269
Other assets		15,932	13,563
Bank balances and cash	10	30,345	25,707
Current assets		213,666	177,421
Total assets		754,980	653,419

Consolidated Balance Sheet 30 September 2016 and 31 December 2015

Equity and liabilities

All amounts in USD '000	Notes	30.09.2016	31.12.2015
Issued capital		149,993	174,524
Reserves		(41,580)	(42,187)
Retained earnings		355,878	329,605
Equity attributable to owners of the Company		464,291	461,942
Non-controlling interest in equity		1,270	1,085
Total equity		465,561	463,027
Borrowings		143,198	83,999
Deferred tax liabilities		20,718	20,952
Provisions		4,915	5,018
Other financial liabilities		0	45
Non-current liabilities		168,831	110,014
Borrowings		26,434	58
Accounts payable		24,557	16,067
Taxes payable		10,154	11,095
Provisions		5,703	2,939
Accrued salaries and related expenses		27,259	27,910
Other liabilities		26,481	22,309
Current liabilities		120,588	80,378
Total equity and liabilities		754,980	653,419

Consolidated Statement of Cash Flow

1.1. - 30.9.2016 and 1.1. - 30.9.2015

All amounts in USD '000	Notes	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Profit from operations		52,488	58,220	18,864	20,494
Depreciation and amortization	7, 9	15,712	14,537	5,511	4,948
(Gain) / loss on disposal of assets		40	171	1	77
Change in provisions		1,818	219	(670)	(793)
Change in inventories		(9,349)	(5,750)	128	(1,042)
Change in receivables		(3,598)	(8,221)	2,260	1,457
Change in payables		2,837	(6,371)	1,378	(2,236)
Cash generated by operations		59,948	52,805	27,472	22,905
Interest received		563	216	248	98
Interest paid		(2,299)	(2,091)	(759)	(471)
Income tax paid		(13,509)	(9,624)	(4,585)	(3,620)
Net cash provided by operating activities		44,703	41,306	22,376	18,912
Purchase of fixed and intangible assets	7, 9	(19,404)	(17,177)	(6,010)	(4,662)
Proceeds from sale of fixed assets		43	165	0	145
Acquisition of subsidiaries		(61,206)	(448)	(21,126)	(5)
Changes in financial assets		(9,654)	(1,069)	(9,794)	(621)
Cash flows from investing activities		(90,221)	(18,529)	(36,930)	(5,143)
Proceeds from long-term borrowings		3,606	3,258	3,606	165
Repayments of long-term borrowings		(19)	(945)	0	0
Changes in revolving credit facility		81,573	(28,835)	0	(21,705)
Payment of dividends		(7,813)	(7,536)	0	0
Change in treasury shares		(26,852)	5,129	(1,128)	2,273
Cash flows from financing activities		50,495	(28,929)	2,478	(19,267)
Net change in cash		4,977	(6,152)	(12,076)	(5,498)
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		679	(2,140)	148	110
Other items held in foreign currencies		(1,019)	1,032	(179)	(320)
Cash at beginning of period		25,707	28,484	42,451	26,932
Cash at end of period		30,344	21,224	30,344	21,224

Consolidated Statement of Changes in Equity 1.1. - 30.9.2016 and 1.1. - 30.9.2015

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							38,595	38,595	(17)	38,578
Change in cash flow hedges net of tax					243			243		243
Translation difference of shares in foreign operations						(17,343)		(17,343)		(17,343)
Total comprehensive income for the period	0	0	0	0	243	(17,343)	38,595	21,495	(17)	21,478
Payment of dividends							(7,536)	(7,536)		(7,536)
Share option charge for the period				621				621		621
Share option vested during the period	34	12,238		(1,341)			(5,976)	4,955		4,955
Acquisition of Non-controlling interests							(231)	(231)		(231)
Balance at 30 September 2015	5,002	176,468	1,267	851	(614)	(40,745)	317,907	460,136	1,275	461,411
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							36,665	36,665	(155)	36,510
Change in cash flow hedges net of tax					33			33		33
Translation difference of shares in foreign operations						(139)		(139)		(139)
Total comprehensive income for the period	0	0	0	0	33	(139)	36,665	36,559	(155)	36,404
Payment of dividends							(7,813)	(7,813)	0	(7,813)
Share option charge for the period				741				741		741
Share option vested during the period	10	3,730		(320)			(2,321)	1,099	0	1,099
Change in Non-controlling interests							34	34	8	42
Non controlling interest arising on acquisition								0	333	333
Purchase of treasury shares	(61)	(28,210)						(28,271)		(28,271)
Balance at 30 September 2016	4,935	145,058	1,267	1,277	84	(44,207)	355,877	464,291	1,270	465,561

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

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net sales	129,158	138,987	114,194	124,528	117,311
Cost of goods sold	(47,991)	(49,622)	(42,810)	(46,683)	(43,733)
Gross profit	81,167	89,365	71,384	77,845	73,578
Gross profit margin	63%	64%	63%	63%	63%
Other income / expenses	(42)	32	67	(13)	50
Sales and marketing expenses	(42,418)	(46,249)	(40,729)	(40,857)	(37,055)
Research and development expenses	(5,790)	(5,425)	(5,062)	(4,574)	(4,826)
General and administrative expenses	(14,053)	(17,802)	(11,957)	(13,279)	(11,253)
EBIT	18,864	19,921	13,703	19,122	20,494
Net financial income / (expenses)	(842)	(697)	(683)	(735)	(663)
Net exchange rate difference	(406)	635	(285)	(1,122)	(975)
Share in profit of associated companies	(162)	(385)	(581)	(127)	(470)
EBT	17,454	19,474	12,154	17,138	18,386
Income tax	(4,474)	(4,918)	(3,180)	(4,553)	(4,281)
Net profit	12,980	14,556	8,974	12,585	14,105
EBITDA	24,375	25,323	18,502	24,738	25,442
EBITDA margin	19%	18%	16%	20%	22%
EBITDA adjusted	24,375	29,931	18,502	24,738	25,442
EBITDA adjusted margin	19%	22%	16%	20%	22%

3. Net sales

	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Specified according to geographical segments:				
EMEA	183,718	174,561	58,402	53,906
Americas	174,277	157,837	61,854	54,354
APAC	24,344	26,108	8,902	9,051
	382,339	358,506	129,158	117,311
Specified according to product lines:				
Bracing and Supports	207,433	205,645	66,174	66,267
Prosthetics	174,111	151,659	62,753	50,532
Other products	795	1,202	231	512
	382,339	358,506	129,158	117,311

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	YTD 2016			Q3 2016		
	LCY	USD	%	LCY	USD	%
Sales						
USD	165,966	165,966	44%	58,803	58,803	46%
EUR	92,013	102,730	27%	30,039	33,537	26%
ISK	150,695	1,217	0%	46,857	396	0%
Nordic curr. (SEK, NOK, DKK)		53,763	14%		15,777	12%
Other (GBP, AUD, CAD & Other)		58,663	15%		20,645	16%
		382,339	100%		129,158	100%
COGS and OPEX						
USD	136,673	136,673	41%	47,924	47,924	44%
EUR	61,186	69,106	21%	21,114	24,375	22%
ISK	4,415,398	35,673	11%	1,427,374	12,080	11%
Nordic curr. (SEK, NOK, DKK)		50,593	15%		14,291	13%
Other (GBP, MXN, CAD & Other)		37,806	12%		11,624	10%
		329,851	100%		110,294	100%

	YTD 2015			Q3 2015		
	LCY	USD	%	LCY	USD	%
Sales						
USD	159,019	159,019	44%	58,154	58,154	50%
EUR	84,173	93,845	26%	25,120	27,937	24%
ISK	125,091	942	0%	38,841	296	0%
Nordic curr. (SEK, NOK, DKK)		52,580	15%		14,538	12%
Other (GBP, AUD, CAD & Other)		52,120	15%		16,386	14%
		358,506	100%		117,311	100%
COGS and OPEX						
USD	126,735	126,735	42%	41,062	41,062	43%
EUR	55,891	62,313	21%	16,566	18,423	19%
ISK	4,140,024	31,183	11%	1,286,159	9,808	10%
Nordic curr. (SEK, NOK, DKK)		51,908	17%		14,688	15%
Other (GBP, MXN, CAD & Other)		28,147	9%		12,836	13%
		300,286	100%		96,817	100%

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

Currency split of newly acquired companies is done by using best available information at each time.

5. Financial income / (expenses)

	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Interests on bank deposits	496	154	249	64
Other financial income	96	108	26	79
Financial income	592	262	275	143
Interests on loans	(1,970)	(1,981)	(729)	(634)
Other financial expenses	(844)	(534)	(388)	(172)
Financial expenses	(2,814)	(2,515)	(1,117)	(806)
Net exchange rate differences	(56)	(3,760)	(406)	(975)
Net financial income / (expenses)	(2,278)	(6,013)	(1,248)	(1,638)

Notes to the Consolidated Financial Statements

6. Earnings per share

	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Net profit	36,510	38,578	12,980	14,105
Total weighted average number of ordinary shares (in thousands)	439,926	454,210	437,447	459,920
Total weighted average number of shares including potential shares (in thousands)	441,411	456,538	438,734	461,962
Basic earnings per share (US cent)	8.3	8.5	3.0	3.1
Diluted earnings per share (US cent)	8.3	8.4	3.0	3.1
Cash earnings per share	11.9	11.7	4.2	4.1
Diluted cash earnings per share	11.8	11.6	4.2	4.1

7. Property, plant and equipment

2016	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	Total
Cost					
At 1 January	11,782	65,299	26,477	10,359	113,917
Additions	220	9,158	4,397	2,852	16,627
Acquired on acquisition of subsidiary	0	3,745	1,828	631	6,204
Exchange rate differences	321	116	(323)	40	154
Eliminated on disposal	0	(645)	82	(40)	(603)
Fully depreciated assets	(85)	(184)	(65)	(358)	(692)
At 30 September 2016	12,238	77,489	32,396	13,484	135,607
Depreciation					
At 1 January	7,915	38,744	14,637	8,085	69,381
Charge for the period	258	5,533	2,387	1,415	9,593
Acquired on acquisition of subsidiary	0	2,641	1,065	502	4,208
Exchange rate differences	211	45	171	(31)	396
Eliminated on disposal	0	(564)	83	(37)	(518)
Fully depreciated assets	(85)	(184)	(65)	(358)	(692)
At 30 September 2016	8,299	46,215	18,278	9,576	82,368
At 30 September 2016	3,939	31,274	14,118	3,908	53,239

Depreciation classified by operational category:	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Cost of goods sold	5,677	5,081	1,997	1,794
Sales and marketing expenses	1,149	1,119	309	402
Research and development expenses	403	322	149	119
General and administrative expenses	2,364	1,954	897	645
	9,593	8,476	3,352	2,960

8. Goodwill

	30.09.2016	31.12.2015
At 1 January	369,238	388,100
Arising on acquisition of subsidiaries	47,940	0
Exchange rate differences	(1,082)	(18,862)
	416,096	369,238

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

	30.09.2016	31.12.2015
Americas	221,503	220,405
EMEA	178,250	133,063
APAC	16,343	15,770
	416,096	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	30,422	4,127	13,091	31,065	78,705
Additions	4	155	0	1,290	1,449
Additions - internally generated	0	0	0	1,328	1,328
Acquired on acquisition of subsidiary	673	1,511	0	2,876	5,060
Fully depreciated assets	0	(441)	0	(1,662)	(2,103)
Exchange rate differences	277	(101)	39	(332)	(117)
At 30 September 2016	31,376	5,251	13,130	34,565	84,322
Amortization					
At 1 January	22,978	1,698	467	18,447	43,590
Charge for the period	2,384	148	9	3,578	6,119
Acquired on acquisition of subsidiary	45	263	0	1,164	1,472
Fully depreciated assets	0	(441)	0	(1,662)	(2,103)
Exchange rate differences	216	(32)	(261)	(173)	(250)
At 30 September 2016	25,623	1,636	215	21,355	48,828
At 30 September 2016	5,753	3,616	12,915	13,210	35,494

Amortization classified by operational category:	YTD 2016	YTD 2015	Q3 2016	Q3 2015
Cost of goods sold	870	792	334	264
Sales and marketing expenses	3,915	3,965	1,297	1,349
Research and development expenses	214	57	87	18
General and administrative expenses	1,120	1,247	441	357
	6,119	6,061	2,159	1,988

10. Bank balances and cash

	30.09.2016	31.12.2015
Bank accounts	28,620	22,183
Bankers draft received	1,654	3,420
Cash and other cash equivalents	71	104
	30,345	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 (7 persons)	1,300,000	2016	2019	22.4 / 26.8	23.0 / 26.9
	3,475,000				
Issued to management team:					
Two managers	100,000	2013	2016	7.9	7.9
Twenty managers	1,200,000	2015	2018	19.4 / 23.9	19.0 / 24.1
Seven managers	250,000	2016	2019	22.4 - 26.8	23.0 - 26.9
	1,550,000				
Total issued option contracts	5,025,000				

Movements in share options during the period

	30.09.2016		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	2,175,000	25.3	2,750,000	21.3
Exercised during period	(1,200,000)	7.8	(4,650,000)	8.6
Outstanding at end of period	5,025,000	22.8	4,050,000	17.0

Estimated remaining cost due to the share option contracts is USD 2.6 million. An expense of USD 0.7 million (2015: USD 0.6 million) is recognized in the Income Statement for the period.

12. Business combinations

At the beginning of September Össur acquired Medi Prosthetics from Medi Group, with effect from 1 September 2016. Medi Prosthetics is a global provider of mechanical lower limb prosthetic components, located in Bayreuth, Germany. In 2015, total sales amounted to EUR 15 million (USD 17 million). The integration of the business is expected to be concluded in 2017. The acquisition is financed through existing loan facilities.

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 were expensed in Q2 2016.

Assets acquired and liabilities recognized at the date of the Touch Bionics Limited 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.