

Össur Q2 2017 highlights

- Sales amounted to USD 145 million compared to USD 139 million in Q2 2016, corresponding to 6% growth and 3% organic, both measured in local currency. Growth rates were negatively impacted by fewer sales days due to Easter shifting between quarters. YTD sales growth is 5% organically.
- Gross profit amounted to USD 89 million and 62% of sales, compared to USD 89 million and 64% of sales in Q2 2016. Gross profit was negatively impacted by cost increases in certain manufacturing sites and adverse currency movements. YTD gross profit is 62% compared to YTD 63% in 2016.
- EBITDA amounted to USD 24 million or 17% of sales, compared to USD 25 million or 18% of sales in Q2 2016. Adjusted for USD 2.6 million in one-time costs, EBITDA amounted to USD 27 million or 19% of sales compared to USD 30 million or 22% of sales in Q2 2016.
- Net profit amounted to USD 13 million or 9% of sales, compared to USD 15 million or 10% of sales in Q2 2016.
- Cash generated by operations amounted to USD 23 million or 16% of sales, compared to USD 16 million or 12% of sales in Q2 2016.
- Össur acquired 1,037,461 of own shares in Q2 2017 for approximately USD 5 million.
- Due to adverse movements in currency rates during the first half of the year, we are revising our full year guidance for 2017. EBITDA margin before special items is now estimated in the range of 18-19% compared to our previous guidance estimate of 19-20%. All other guidance parameters remain intact.

Jon Sigurdsson, President & CEO, comments:

“The growth in the second quarter of the year is in line with our expectations. We are seeing a healthy organic growth rate for the first half of 2017 but growth in the second quarter is negatively impacted due to fewer sales days than in the comparable quarter. We continue to see a strong performance in prosthetics with a good contribution from the RHEO® knee and other key products. Integration of recently acquired companies is on track and we are realizing the planned synergies in our combined business.”

Key financials and guidance

USD million	Q2 2017	Q2 2016	Guidance FY 2017 (current)	Guidance FY 2017 (Q1)
Net sales	145	139		
Sales growth, LCY	6%	10%	7-8%	7-8%
Sales growth, organic	3%	5%	4-5%	4-5%
EBITDA (before special items)	27	30		
EBITDA margin (before special items)	19%	22%	18-19%	19-20%
CAPEX	5	8		
CAPEX as % of sales	3%	6%	~4%	~4%
Effective tax rate	25%	25%	~26%	~26%

Financial highlights and key ratios

USD million		Q2 2017	Q2 2016	2016	2015	2014	2013	2012
Income statement								
Net sales		145	139	521	483	509	436	399
Gross profit		89	89	328	303	323	270	248
Operating expenses (excl. other income)		70	69	256	226	237	210	191
EBITDA		24	25	94	97	104	75	70
EBITDA adjusted		27	30	98	99	104	80	70
EBIT		19	20	72	77	86	60	57
Net profit		13	15	51	51	59	41	38
Sales growth								
Sales growth USD	%	4	9	8	(5)	17	9	0
Organic growth in LCY	%	3	5	4	5	5	2	3
Currency effect	%	(2)	(1)	(1)	(10)	(1)	1	(3)
Acquired/divested business	%	3	5	5	1	13	6	1
Balance sheet								
Total assets		773	738	746	653	678	706	591
Equity		468	455	467	463	442	448	408
Net interest-bearing debt (NIBD)		146	123	119	58	93	108	82
Cash flow								
Cash generated by operations		23	16	88	84	98	73	71
Free cash flow		13	4	42	42	68	49	43
Key ratios								
Gross profit margin	%	62	64	63	63	63	62	62
EBIT margin	%	13	14	14	16	17	14	14
EBITDA margin	%	17	18	18	20	20	17	18
EBITDA adjusted margin	%	19	22	19	20	20	18	18
Equity ratio	%	61	62	63	71	65	63	69
NIBD to adj. EBITDA*		1.5	1.3	1.2	0.6	0.9	1.3	1.2
Effective tax rate	%	25	25	25	25	24	26	26
Return on equity*	%	11	11	11	11	13	10	10
CAPEX / net sales	%	3.4	5.6	4.7	4.9	3.3	3.9	3.6
Market								
Market value of equity		2,113	1,641	1,582	1,546	1,311	880	606
Number of shares	Millions	437	443	443	446	454	454	454
Diluted EPS	US cent	3.1	3.3	11.6	11.5	13.1	9.1	8.4
Diluted cash EPS	US cent	4.3	4.5	16.5	16.0	17.2	12.5	11.3

*Financial ratios for Q2 2017 and Q2 2016 are based on operations for the preceding 12 months.

Management's report

Sales performance

Sales amounted to USD 145 million compared to USD 139 million in Q2 2016, corresponding to a local currency growth of 6% and 3% organic growth. Sales growth in Q2 is impacted by Easter holidays shifting between quarters which resulted in fewer sales days in Q2. YTD 2017 sales amount to USD 276 million compared to USD 253 million YTD 2016 which corresponds to a local currency growth of 11% and a healthy organic growth of 5%.

Due to the depreciation of a few major operational currencies against the USD such as the GBP, EUR and the SEK, currency movements in Q2 2017 impacted sales growth negatively compared to Q2 2016 in the amount USD 3 million which corresponds to a negative 210 basis points effect on USD growth.¹

Sales by segments in Q2 2017

USD million	Q2 2017	% of sales	Sales growth	Sales growth	Sales growth	Q2 2016
			USD	LCY	organic	
EMEA	72	49%	3%	8%	3%	69
Americas	63	44%	3%	3%	1%	62
APAC	10	7%	27%	24%	22%	8
Total	145	100%	4%	6%	3%	139

Sales by regions in Q2 2017

USD million	Q2 2017	% of sales	Sales growth	Sales growth	Sales growth	Q2 2016
			USD	LCY	organic	
Bracing and supports	73	50%	-3%	0%	0%	75
Prosthetics	72	50%	13%	15%	7%	63
Other	0	0%	-27%	-25%	-25%	0
Total	145	100%	4%	6%	3%	139

Bracing and supports

Bracing and supports (B&S) sales amounted to USD 73 million and grew by 0%, organically and measured in local currency. Sales of B&S products in EMEA continued to be good in most major markets but growth is negatively impacted by fewer sales days compared to Q2 2016. Americas had a soft quarter due to operational challenges with own distribution companies in the US whereas direct sales continue to grow. Sales of B&S products in the US are mainly through direct sales, while a relatively small share is through own distribution companies. The nature of the operational challenges in our own distribution companies is mainly related to internal restructuring efforts. Sales of B&S products in APAC grew in line with the market after a strong quarter in Q1.

Prosthetics

Prosthetics sales amounted to USD 72 million and grew by 15% and 7% organic, both measured in local currency. We continue to see a strong performance in prosthetics with good contribution from the RHEO® knee and other key products. The Americas prosthetics business grew in line with the market in the quarter. Even though the EMEA region was impacted by fewer sales days, we are seeing good organic growth rates in the quarter and excellent year-to-date results. APAC sales were excellent in the quarter with all major markets growing and good

¹ The methodology used to calculate the currency impact is to convert the Q2 2017 operating results on the average exchange rates of Q2 2016.

progress in China. Sales of bionic products in the quarter accounted for 21% of prosthetics component sales, compared to 23% in Q2 2016.

No new information has been made public regarding the previously disclosed information on a workgroup formed by Medicare to draft a proposal describing current best practices in prosthetic care and identifying research evidence gaps.

Gross profit

Gross profit amounted to USD 89 million or 62% of sales, compared to USD 89 million or 64% of sales in Q2 2016. YTD 2017 gross profit amounted to USD 171 million or 62% of sales compared to USD 161 million or 63% of sales YTD 2016. Main factors that are impacting the gross profit margin in Q2 2017 are:

- Positive impact from product mix with relatively stable prices and high margin products that are growing faster than the rest of the product portfolio.
- The main manufacturing locations in Iceland and Mexico continue to perform in line with expectations while cost increases in smaller manufacturing locations impacted the gross profit margin negatively.
- Currency movements impacted the gross profit margin negatively by about 60 basis points.

It should be noted that the gross profit margin in the comparable quarter in Q2 2016 was strong compared to other quarters in 2016.

Operating expenses

Operating expenses amounted to USD 70 million or 48% of sales compared to 69 million or 50% of sales in Q2 2016. Operating expenses grew in Q2 by 1% compared to Q2 2016 when measured in local currency. Excluding one-costs in relation to the Medi Prosthetics acquisitions, operational expenses grew in Q2 by 4% when measured in local currency.

- Sales & Marketing (S&M) expenses increased by 3% in local currency and amounted to USD 47 million which corresponds to 32% of sales compared to 33% of sales in Q2 2016.
- Research & Development (R&D) expenses increased by 27% in local currency and amounted to USD 7 million which corresponds to 5% of sales compared to 4% of sales in Q2 2016. The largest portion of the growth is due to the acquisitions made in 2016.
- General & Administrative (G&A) expenses decreased by 12% in local currency and amounted to USD 16 million which corresponds to 11% of sales compared to 13% of sales in Q2 2016. Excluding one-time costs, G&A decreased by 3% in LCY. The decrease can be traced to integration efforts and ongoing efficiency initiatives.

The integration of Touch Bionics and Medi has progressed as planned. As of 1 July, restructuring of certain S&M and G&A functions was completed for Touch Bionics. This restructuring is expected to decrease full year operating expenses by approx. USD 3 million, with full year effect in 2018. In the second half of 2017, the impact is expected to be around USD 1 million. Össur reiterates previous communication that both Touch Bionics and Medi Prosthetics are expected to operate with a EBITDA margin at a similar level as the pre-acquisition Össur business after integration efforts are completed.

EBITDA

EBITDA amounted to USD 24 million or 17% of sales, compared to USD 25 million or 18% of sales in Q2 2016. EBITDA is affected by one-time costs amounting to USD 2.6 million. The one-time costs are related to the Medi

Prosthetics acquisition. EBITDA before special items amounted to USD 27 million or 19% of sales compared to USD 30 million or 22% of sales in Q2 2016.

Underlying operational margin improvements from product mix improvements and operational leverage were outweighed by negative impact from changes in foreign exchange rates and the previously mentioned gross profit margin impact. Currency movements affected the EBITDA margin negatively by about 130 basis points when unhedged (approx. 100 basis points net of hedge).

Financial Items, tax and net profit

Net financial expenses amounted to USD 1.4 million compared to USD 0.1 million in Q2 2016, out of which net exchange rate difference was negative by USD 0.6 million compared to positive USD 0.6 million in Q2 2016. Changes in financial expenses are mainly due to higher leverage than in the comparable quarter.

Income tax amounted to USD 4.5 million, corresponding to 25% effective tax rate, compared to USD 4.9 million and 25% effective tax rate in Q2 2016.

Net profit amounted to USD 13 million or 9% of sales, compared to USD 15 million or 10% of sales in Q2 2016. Earnings per share amounted to 3.1 compared to 3.3 in Q2 2016.

Cash flow

Cash generated by operations in the quarter amounted to USD 23 million or 16% of sales, compared to USD 16 million or 12% of sales in Q2 2016. Cash generation in the quarter was stronger than in the comparable quarter, primarily due to positive changes in inventory.

Capital expenditure amounted to USD 5 million or 3% of sales, compared to USD 8 million or 6% of sales in Q2 2016. Capital expenditures are considered to be at a normalized level where full year capital expenditure in 2017 is expected to be around 4%.

Capital structure, share buybacks and dividends

Net interest bearing debt at the end of the quarter amounted to USD 146 million compared to USD 119 million at year-end 2016. Changes in debt level is mostly due to our share buyback program and changes in currency rates. Net interest bearing debt to EBITDA corresponded to 1.5x compared to 1.2x at year-end 2016. The ratio is within the previously communicated capital structure policy to maintain a level of net interest bearing debt of 1-2x EBITDA.

In Q2 2017, Össur purchased 1,037,461 of own shares for approximately USD 5 million under the share buyback program initiated on 1 December 2016. The purpose of the program is to reduce the Company's share capital and adjust the capital structure by distributing capital to shareholders in line with the Company's Capital Structure and Dividend Policy. At 30 June 2017, Össur held 7,698,106 treasury shares which amounted to USD 37 million.

Integration of acquired companies in 2016

In September of 2016 Össur acquired Medi Prosthetics from Medi. The integration of the Medi Prosthetics business is going as planned. Synergies between the operations of Össur and Medi Prosthetics are expected to be fully achieved in the second half of 2017, increasing the EBITDA margin of Medi Prosthetics to a similar level as the pre-acquisition Össur business.

In April of 2016 Össur acquired Touch Bionics. The integration is going as planned and synergies between the operations of Össur and Touch Bionics are expected to be fully achieved in 2018, ultimately increasing the EBITDA margin of Touch Bionics to a similar level as the pre-acquisition Össur business.

Financial guidance for 2017

Due to adverse movements in currency rates during the first half of the year, we are revising our full year guidance for 2017. EBITDA margin before special items is now estimated in the range of 18-19% compared to our previous guidance estimate of 19-20%. All other guidance parameters remain intact. The financial guidance for the full year of 2017 is therefore:

- Sales growth LCY in the range of 7-8%
- Organic sales growth LCY in the range of 4-5%
- EBITDA margin before special items in the range of 18-19% of sales
- Capital expenditures around 4% of net sales
- Effective tax rate around 26%

We are revising our EBITDA margin estimate due to unfavorable developments in key foreign exchange rates, mainly the ISK. At current foreign exchange rates, keeping all other factors constant, EBITDA margin is expected to be negatively impacted by approximately 100 basis points in 2017 when compared to 2016. Additional information on foreign exchange assumptions can be found in the next section.

The financial guidance assumes the prevailing economic outlook in key markets and no major fluctuations of major operating currencies from their closing rates on 24 July 2017.

Foreign exchange

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

All else being equal, a +/- 5% movement in EUR/USD from the closing rate at 24 July 2017 for the remainder of the year is expected to have an annual impact on the EBITDA of USD 1.3-1.4 million when unhedged. The same movement in the ISK/USD is expected to have an annual impact on the EBITDA of USD 1.2-1.3 million when unhedged. In January 2017, Össur entered into forward contracts covering approximately half of the estimated ISK costs.

Currency overview

USD	EUR	ISK
Average exchange rate 2016	1.1069	0.0083
Average exchange rate Q1 2017	1.0650	0.0089
Average exchange rate Q2 2017	1.0996	0.0096
Closing rate 24 July 2017	1.1643	0.0095
Estimated average exchange rate 2017*	1.1233	0.0094
Change in estimated exchange rate 2017 compared with last year's average	1%	13%

*Estimated average exchange rate is calculated as the average of the quarterly exchange rates to date combined with the closing rates at 24 July 2017 for the remainder of the year.

Other matters

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

The possibility of import tariffs on products manufactured and imported from Mexico to the United States has been discussed by US authorities. Össur could be impacted as it currently manufactures majority of its products in Iceland, Mexico and in China. The Össur products manufactured in Mexico and sold in the United States are a relatively small share of the total sales in the United States. Therefore, it is currently estimated by the management that import tariffs on those products would not have a significant impact on the Company's operations.

New IFRS Standards

Two newly issued but not yet effective IFRS standards are relevant to Össur: IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases. IFRS 15 is effective starting on 1 January 2018 and IFRS 16 on 1 January 2019 with a permission for early adoption. The European Union has endorsed the IFRS 15 but not yet IFRS 16. More details and an assessment from the management on these standards can be found in note 31.2 in the full year 2016 Consolidated Financial Statements.

Central Bank of Iceland's New Rules on Foreign Exchange

In March 2017, Össur received a confirmation from the Central Bank of Iceland that from 14 March 2017, when the Icelandic Rules on Foreign Exchange No. 200/2017 came into effect, there are no longer any restrictions on converting and transferring Össur shares from the Icelandic market to the Danish market and vice versa. Icelandic investors can now trade Össur shares on the Danish market without restrictions.

Products

In Q2 2017, five new products were introduced to the market. Two new feet were added to our successful Pro-Flex® portfolio; Pro-Flex® XC Torsion and Pro-Flex® LP Torsion which are compact, energy storing feet offering rotational shock absorption. Three bracing and supports solutions were introduced which includes the Rebound® Post-Op Knee brace which is designed to protect and treat after knee surgery or injury by restricting range-of-motion. The brace provides ease of fitting for practitioners and ease of use for patients.

Financial calendar and upcoming events & conferences

Q2 2017 conference call details

Össur will host a conference call on Wednesday 26 July 2017 at **9:00 CET/ 7:00 GMT/ 3:00 EDT**. To participate in the call please dial: Europe: + 45 3544 5580, +44 (0) 203 364 5374 or +46 (0) 8 505 564 74, The United States: + 1 855 753 2230, Iceland: +354 800 7417. A webcast can be followed on the Össur website: www.ossur.com/investors.

Össur Capital Markets Day 2017

Össur invites financial analysts, institutional investors, lenders and financial media to a Capital Markets Day in Copenhagen on 27 September 2017. The Capital Markets Day is hosted by Jon Sigurdsson, President & CEO, along with key members of the management team and will be held at the Admiral Hotel in the city center of Copenhagen. Further details on the Capital Markets Day, including the agenda, will become available at www.ossur.com/investors in due time.

Financial calendar

Q3 2017 Results	24 October 2017
Q4 2017 Results	5 February 2018
2018 Annual General Meeting (IS)	8 March 2018

Upcoming events & conferences

Goldman Sachs 14th Annual European Medtech and Healthcare Services Conference (UK)	6-7 September 2017
InvestorDay in Copenhagen (DK)	19 September 2017
Össur Capital Markets Day (DK)	27 September 2017
Danske Bank Copenhagen Winter Seminar (DK)	13 December 2017
SEB Nordic Seminar (DK)	8-10 January 2018

For further information

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About Össur

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

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

The total sales of the Össur Consolidation amounted to USD 275.9 million and the net profit amounted to USD 23.4 million. Össur's Consolidated total assets amounted to USD 773.3 million at the end of period, liabilities were USD 305.4 million, and equity was USD 467.9 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 2017 and operating performance of the period ended 30 June 2017.

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

Reykjavík, 25 July 2017

Board of Directors

Niels Jacobsen
Chairman of the Board

Arne Boye Nielsen

Kristján T. Ragnarsson

Guðbjörg Edda Eggertsdóttir

Svafa Grönfeldt

President and CEO

Jón Sigurðsson

Consolidated Income Statement

All amounts in USD '000	Notes	YTD 2017	YTD 2016	Q2 2017	Q2 2016
Net sales	3	275,931	253,181	144,925	138,987
Cost of goods sold		(105,091)	(92,432)	(55,774)	(49,622)
Gross profit		170,840	160,749	89,151	89,365
Other income / expenses		(8)	99	(41)	32
Sales and marketing expenses		(91,890)	(86,978)	(46,879)	(46,249)
Research and development expenses		(14,237)	(10,487)	(7,383)	(5,425)
General and administrative expenses		(30,751)	(29,759)	(15,889)	(17,802)
Earnings before interest and tax (EBIT)		33,954	33,624	18,959	19,921
Financial income		972	317	506	189
Financial expenses		(2,536)	(1,697)	(1,247)	(886)
Net exchange rate difference		(1,023)	350	(640)	635
Net financial income / (expenses)	5	(2,587)	(1,030)	(1,381)	(62)
Share in net profit / (loss) of associated companies		100	(966)	86	(385)
Earnings before tax (EBT)		31,467	31,628	17,664	19,474
Income tax		(8,089)	(8,098)	(4,455)	(4,918)
Net profit		23,378	23,530	13,209	14,556
Attributable to:					
Owners of the Company		23,357	23,541	13,057	14,561
Non-controlling interests		21	(11)	152	(5)
		23,378	23,530	13,209	14,556
Earnings per share	6				
Basic earnings per share (US cent)		5.4	5.3	3.1	3.3
Diluted earnings per share (US cent)		5.4	5.3	3.1	3.3

Consolidated Statement of Comprehensive Income

All amounts in USD '000	Notes	YTD 2017	YTD 2016	Q2 2017	Q2 2016
Net profit		23,378	23,530	13,209	14,556
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedges		0	45	0	(1)
Translation difference of shares in foreign operations		13,007	1,413	9,587	(7,021)
Income tax relating to components of other comprehensive income		490	203	493	185
		13,497	1,661	10,080	(6,838)
Total comprehensive income		36,875	25,191	23,289	7,718
Attributable to:					
Owners of the Company		36,854	25,202	23,137	7,723
Non-controlling interests		21	(11)	152	(5)
		36,875	25,191	23,289	7,718

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	30.06.2017	31.12.2016
Property, plant and equipment	7	54,298	52,837
Goodwill	8	408,684	394,123
Other intangible assets	9	45,410	45,592
Other financial assets		17,194	19,376
Deferred tax assets		19,180	23,739
Non-current assets		544,766	535,667
Inventories		80,518	75,296
Accounts receivables		87,598	82,109
Other assets		21,813	18,233
Bank balances and cash	10	38,593	35,091
Current assets		228,522	210,729
Total assets		773,288	746,396

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	30.06.2017	31.12.2016
Issued capital		120,227	149,606
Reserves		(38,074)	(52,867)
Retained earnings		385,157	369,689
Equity attributable to owners of the Company		467,310	466,428
Non-controlling interest in equity		547	763
Total equity		467,857	467,191
Borrowings		159,574	130,095
Deferred tax liabilities		25,550	28,626
Provisions		7,175	6,519
Other financial liabilities		(645)	0
Non-current liabilities		191,654	165,240
Borrowings		25,396	24,430
Accounts payable		23,547	17,810
Taxes payable		4,964	8,152
Provisions		4,950	5,741
Accrued salaries and related expenses		31,306	30,844
Other liabilities		23,614	26,988
Current liabilities		113,777	113,965
Total equity and liabilities		773,288	746,396

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	YTD 2017	YTD 2016	Q2 2017	Q2 2016
Profit from operations		33,954	33,624	18,959	19,921
Depreciation and amortization	7, 9	10,917	10,201	5,481	5,402
(Gain) / loss on disposal of assets		18	39	11	7
Change in provisions		304	2,488	1,751	2,911
Change in inventories		(2,778)	(9,477)	1,431	(5,917)
Change in receivables		(8,698)	(5,858)	(9,250)	(10,148)
Change in payables		(603)	1,459	5,066	4,263
Cash generated by operations		33,114	32,476	23,449	16,439
Interest received		848	315	492	215
Interest paid		(2,433)	(1,540)	(1,322)	(683)
Income tax paid		(7,560)	(8,924)	(4,221)	(4,514)
Net cash provided by operating activities		23,969	22,327	18,398	11,457
Purchase of fixed and intangible assets	7, 9	(8,350)	(13,394)	(4,983)	(7,812)
Proceeds from sale of fixed assets		1	43	0	13
Acquisition of subsidiaries		(1,419)	(40,080)	(715)	(40,080)
Changes in financial assets		2,426	140	285	160
Cash flows from investing activities		(7,342)	(53,291)	(5,413)	(47,719)
Repayments of long-term borrowings		(24,512)	(19)	198	0
Changes in revolving credit facility		45,709	81,573	(7,024)	69,084
Payment of dividends		(7,340)	(7,813)	0	0
Increase in interest that does not affect control		0	0	225	0
Change in treasury shares		(29,380)	(25,724)	(4,583)	(19,675)
Cash flows from financing activities		(15,523)	48,017	(11,184)	49,409
Net change in cash		1,104	17,053	1,801	13,147
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		1,797	531	1,351	(579)
Other items held in foreign currencies		601	(840)	674	(226)
Cash at beginning of period		35,091	25,707	34,767	30,109
Cash at end of period		38,593	42,451	38,593	42,451

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 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		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
Balance at 1 January 2017	4,933	144,673	1,267	1,553	83	(55,770)	369,689	466,428	763	467,191
Net profit							23,357	23,357	21	23,378
Translation difference of shares in foreign operations						13,497		13,497		13,497
Total comprehensive income for the period	0	0	0	0	0	13,497	23,357	36,854	21	36,875
Payment of dividends							(7,340)	(7,340)	0	(7,340)
Share option charge for the period				722				722		722
Change in cash flow hedges net of tax					574			574		574
Change in Non-controlling interests							(549)	(549)	(236)	(785)
Purchase of treasury shares	(71)	(29,308)						(29,379)		(29,379)
Balance at 30 June 2017	4,862	115,365	1,267	2,275	657	(42,273)	385,157	467,310	547	467,857

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

1.1 Statement of compliance

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

1.2 Basis of preparation

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

2. Quarterly statements

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net sales	144,925	131,006	138,409	129,158	138,987
Cost of goods sold	(55,774)	(49,317)	(51,887)	(47,991)	(49,622)
Gross profit	89,151	81,689	86,522	81,167	89,365
Gross profit margin	62%	62%	63%	63%	64%
Other income / expenses	(41)	33	93	(42)	32
Sales and marketing expenses	(46,879)	(45,011)	(45,760)	(42,418)	(46,249)
Research and development expenses	(7,383)	(6,854)	(6,889)	(5,790)	(5,425)
General and administrative expenses	(15,889)	(14,862)	(14,283)	(14,053)	(17,802)
EBIT	18,959	14,995	19,683	18,864	19,921
Net financial income / (expenses)	(741)	(823)	(574)	(842)	(697)
Net exchange rate difference	(640)	(383)	371	(406)	635
Share in profit of associated companies	86	14	(145)	(162)	(385)
EBT	17,664	13,803	19,335	17,454	19,474
Income tax	(4,455)	(3,634)	(4,847)	(4,474)	(4,918)
Net profit	13,209	10,169	14,488	12,980	14,556
EBITDA	24,440	20,431	25,668	24,375	25,323
EBITDA margin	17%	16%	19%	19%	18%
EBITDA adjusted	27,020	20,431	25,668	24,375	29,931
EBITDA adjusted margin	19%	16%	19%	19%	22%

3. Net sales

	YTD 2017	YTD 2016	Q2 2017	Q2 2016
Specified according to geographical segments:				
EMEA	136,858	125,316	71,566	69,455
Americas	119,709	112,423	63,263	61,559
APAC	19,364	15,442	10,096	7,973
	275,931	253,181	144,925	138,987
Specified according to product lines:				
Bracing and Supports	139,791	141,259	73,030	75,204
Prosthetics	135,680	111,358	71,686	63,498
Other products	460	564	209	285
	275,931.0	253,181	144,925	138,987

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	YTD 2017			Q2 2017		
	LCY	USD	%	LCY	USD	%
Sales						
USD	112,080	112,080	41%	59,578	59,578	41%
EUR	71,971	77,902	28%	36,232	39,841	28%
ISK	111,805	1,033	0%	53,823	515	0%
Nordic curr. (SEK, NOK, DKK)		39,187	14%		21,652	15%
Other (GBP, AUD, CAD & Other)		45,729	17%		23,339	16%
		275,931	100%		144,925	100%
COGS and OPEX						
USD	96,017	96,017	40%	48,512	48,512	39%
EUR	49,863	54,046	22%	27,256	29,970	24%
ISK	3,000,507	27,674	11%	1,373,585	13,130	10%
Nordic curr. (SEK, NOK, DKK)		36,349	15%		19,263	15%
Other (GBP, MXN, CAD & Other)		27,891	12%		15,091	12%
		241,977	100%		125,966	100%
	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%

5. Financial income / (expenses)

	YTD 2017	YTD 2016	Q2 2017	Q2 2016
Interests on bank deposits	691	247	346	146
Other financial income	281	70	160	43
Financial income	972	317	506	189
Interests on loans	(1,573)	(1,241)	(774)	(663)
Other financial expenses	(963)	(456)	(473)	(223)
Financial expenses	(2,536)	(1,697)	(1,247)	(886)
Net exchange rate differences	(1,023)	350	(640)	635
Net financial income / (expenses)	(2,587)	(1,030)	(1,381)	(62)

Notes to the Consolidated Financial Statements

6. Earnings per share

	YTD 2017	YTD 2016	Q2 2017	Q2 2016
Net profit	23,378	23,530	13,209	14,556
Total weighted average number of ordinary shares (in thousands)	432,720	441,179	439,517	444,795
Total weighted average number of shares including potential shares (in thousands)	434,420	442,678	440,779	446,057
Basic earnings per share (US cent)	5.4	5.3	3.1	3.3
Diluted earnings per share (US cent)	5.4	5.3	3.1	3.3
Cash earnings per share	7.9	7.6	4.3	4.5
Diluted cash earnings per share	7.9	7.6	4.3	4.5

7. Property, plant and equipment

2017	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	11,527	77,828	30,257	13,182	132,794
Reclassification	0	167	(214)	(67)	(114)
Additions	58	4,030	1,048	1,238	6,374
Exchange rate differences	914	1,861	1,215	357	4,347
Eliminated on disposal	0	(861)	(31)	(704)	(1,595)
Fully depreciated assets	0	(3,606)	(94)	(2,149)	(5,849)
At 30 June 2017	12,499	79,419	32,182	11,858	135,957
Depreciation					
At 1 January	7,929	46,705	15,875	9,448	79,957
Reclassification	0	(2)	(44)	(68)	(114)
Charge for the period	180	3,791	1,705	922	6,598
Exchange rate differences	638	1,369	383	255	2,645
Eliminated on disposal	0	(843)	(31)	(704)	(1,578)
Fully depreciated assets	0	(3,606)	(94)	(2,149)	(5,849)
At 30 June 2017	8,747	47,414	17,794	7,704	81,659
At 30 June 2017	3,752	32,005	14,388	4,153	54,298
Depreciation classified by operational category:					
		YTD 2017	YTD 2016	Q2 2017	Q2 2016
Cost of goods sold		3,943	3,680	2,013	1,945
Sales and marketing expenses		910	840	417	497
Research and development expenses		389	254	194	127
General and administrative expenses		1,356	1,467	707	788
		6,598	6,241	3,331	3,357

8. Goodwill

	30.06.2017	31.12.2016
At 1 January	394,123	369,238
Arising on acquisition of subsidiaries	0	35,065
Purchase price allocation	2,095	0
Exchange rate differences	12,466	(10,180)
	408,684	394,123

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

	30.06.2017	31.12.2016
Americas	223,289	221,211
EMEA	168,921	157,304
APAC	16,474	15,608
	408,684	394,123

Notes to the Consolidated Financial Statements

9. Other intangible assets

	Cust./distrib relationships	Patents	Trademarks	Software and other	Total
2017					
Cost					
At 1 January	34,519	13,254	12,625	35,287	95,685
Additions	68	57	0	828	953
Additions - internally generated	0	0	0	1,023	1,023
Exchange rate differences	1,868	610	1,078	404	3,960
At 30 June 2017	36,455	13,921	13,703	37,542	101,621
Amortization					
At 1 January	25,470	1,853	201	22,569	50,093
Charge for the period	1,233	411	75	2,600	4,319
Exchange rate differences	1,397	68	129	205	1,799
At 30 June 2017	28,100	2,332	405	25,374	56,211
At 30 June 2017	8,355	11,589	13,298	12,168	45,410
Amortization classified by operational category:					
		YTD 2017	YTD 2016	Q2 2017	Q2 2016
Cost of goods sold		632	536	316	250
Sales and marketing expenses		2,220	2,618	1,097	1,324
Research and development expenses		500	127	248	109
General and administrative expenses		967	679	489	362
		4,319	3,960	2,150	2,045

10. Bank balances and cash

	30.06.2017	31.12.2016
Bank accounts	35,189	32,171
Bankers draft received	3,245	2,867
Cash and other cash equivalents	159	53
	38,593	35,091

11. Share option contracts

	30.06.2017		31.12.2016	
	Number of shares	Weighted average contract rate (in DKK)	Number of shares	Weighted average contract rate (in DKK)
Outstanding at beginning of period	5,300,000	23.2	4,050,000	17.0
Granted during period	425,000	25.5	2,550,000	25.3
Exercised during period			(1,300,000)	7.8
Outstanding at end of period	5,725,000	23.4	5,300,000	23.2

Estimated remaining cost due to the share option contracts is USD 2.4 million. An expense of USD 0.7 million (2016: USD 0.5 million) is recognized in the Income Statement for the period.

12. Litigation

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