

Highlights

- Sales growth of 12% in local currency in Q4 2018, organic sales growth of 4% and reported growth of 9%. Sales growth of 7% in local currency in FY 2018, organic growth of 5% and 8% reported growth.
- The prosthetics segment grew 6% organic in Q4 2018 and the B&S segment grew 3% organic. Growth in both business segments can be attributed to strong sales of high-end innovative products.
- Gross profit margin was 64% in Q4 2018 compared to 63% in the comparable quarter. The increase is driven by positive impact from changes in product mix and savings from the ongoing efficiency initiatives. Gross profit margin in FY 2018 amounted to 63%.
- EBITDA margin before special items was 20% in Q4 2018, same as in the comparable quarter last year. The EBITDA margin was positively impacted by changes in product mix, savings from the ongoing efficiency initiatives, and currency movements. The EBITDA margin was slightly negatively impacted by OPEX investments and the recent acquisitions. EBITDA margin before special items in FY 2018 amounted to 19%.
- Össur made four acquisitions in 2018. Three of the acquisitions were made in Q4 2018, of which two acquisitions had no impact on operating income in Q4 2018. The combined full-year sales of the four acquisitions amount to about USD 70 million. The acquisitions resulted in a revaluation of previously acquired shares, increasing effects from associates by USD 17 million in Q4 2018, impacting net profit.
- Net profit grew by 47% in Q4 2018 and amounted to 20% of sales. Growth in diluted EPS amounted to 48% in Q4 2018. Net profit grew by 38% in FY 2018 and amounted to 13% of sales.
- Cash generated by operations was strong in Q4 2018 and amounted to 18% of sales. Cash generated by operations amounted to 15% of sales in FY 2018.
- Össur acquired 726,566 of own shares through the ongoing share buyback program for USD 5 million in Q4 2018. In FY 2018, Össur acquired 5,430,259 of own shares for USD 26 million.
- The Board of Directors will propose to the Annual General Meeting in 2019 that Össur pays a cash dividend of DKK 0.14 per share for 2018, an 8% increase from DKK 0.13 per share for 2017, and cancel all the shares that Össur acquired in 2018 amounting to 5,430,259 shares.
- The financial guidance for the full year 2019 is 4-5% organic sales growth, ~23% EBITDA margin before special items, 4-5% CAPEX of sales, and an effective tax rate of 23-24%.

Jon Sigurdsson, President & CEO, comments:

“We delivered on all our guidance parameters for the year and for the third year in a row, we grew our prosthetics segment above estimated market growth. The key growth drivers were our high-end innovative products which performed well in both prosthetics and bracing & supports, in addition to strong growth in emerging markets. With favorable changes in product mix and savings from the ongoing efficiency initiatives, we were able to increase our profitability during the year.”

Key financials and guidance

USD million	FY 2018	FY 2017	Q4 2018	Q4 2017	Guidance 2019
Net sales	613	569	168	154	
Sales growth, organic	5%	5%	4%	7%	4-5%
EBITDA margin, before special items	19%	18%	20%	20%	~23%*
CAPEX as % of sales	5%	3%	4%	4%	4-5%
Effective tax rate**	24%	26%	25%	25%	23-24%

* Guidance for EBITDA margin before special items includes the expected impact of IFRS 16. Excluding the impact of IFRS 16, the EBITDA margin is expected to be ~20%. See further information in the section on financial guidance for 2019.

** The effective tax rate has been normalized for one-time benefits impacting the rate in both 2017 and 2018.

USD million	Q4 2018	Q4 2017	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Income statement							
Net sales	168	154	613	569	521	483	509
Gross profit	107	97	387	355	328	303	323
Operating expenses (excl. other income)	81	72	304	280	256	226	237
EBITDA	32	30	107	97	94	97	104
EBITDA adjusted	33	30	115	103	98	99	104
EBIT	22	25	79	75	72	77	86
Net profit	34	23	80	58	51	51	59
Sales growth							
Sales growth USD	% 9	11	8	9	8	(5)	17
Organic growth	% 4	7	5	5	4	5	5
Currency effect	% (3)	4	1	0	(1)	(11)	(1)
Acquired/divested business	% 8	0	2	4	5	1	13
Balance sheet							
Total assets	914	793	914	793	746	653	678
Equity	538	500	538	500	467	463	442
Net interest-bearing debt (NIBD)	180	121	180	121	119	58	93
Cash flow							
Cash generated by operations	31	34	92	90	88	84	98
Free cash flow	15	25	39	55	42	42	68
Key ratios							
Gross profit margin	% 64	63	63	62	63	63	63
EBIT margin	% 13	16	13	13	14	16	17
EBITDA margin	% 19	20	18	17	18	20	20
EBITDA margin before special items	% 20	20	19	18	19	20	20
Equity ratio	% 59	63	59	63	63	71	65
NIBD to EBITDA before special items*	1.6	1.2	1.6	1.2	1.2	0.6	0.9
Effective tax rate	% 9	(4)	18	16	25	25	24
Return on equity*	% 15	12	15	12	11	11	13
CAPEX / net sales	% 4.5	4.3	5.0	3.4	4.7	4.9	3.3
Full time employees on average	3,075	2,999	2,775	2,948	2,710	2,420	2,214
Market							
Market value of equity	2,055	1,871	2,055	1,871	1,582	1,546	1,311
Number of shares in millions	431	437	431	437	443	446	454
Diluted EPS in US cents	8.0	5.4	18.7	13.3	11.6	11.5	13.1

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

Management's report

Sales performance

Sales in FY 2018 amounted to USD 613 million compared to USD 569 million in FY 2017, corresponding to 5% organic growth, 7% growth including acquisitions (local currency growth) and 8% reported growth. Sales in Q4 2018 amounted to USD 168 million compared to USD 154 million in Q4 2017, corresponding to 4% organic growth, 12% growth including acquisitions (local currency growth) and 9% reported growth.

Currency movements in Q4 2018 impacted sales growth negatively compared to Q4 2017 by USD 4 million which corresponds to a negative 3% points effect on the reported growth rate.¹

Össur made four acquisitions in 2018. Further information can be found in the section "Other matters".

Sales by regions

USD million	FY 2018	Organic growth	Acq. / div.	Curr. effect	USD growth	Q4 2018	Organic growth	Acq. / div.	Curr. effect	USD growth
EMEA	299	4%	-	+2%	6%	78	3%	-	-4%	-1%
Americas	266	3%	+5%	-	8%	78	3%	+19%	-	22%
APAC	48	18%	-	-1%	17%	12	9%	-	-4%	5%
Total	613	5%	+2%	+1%	8%	168	4%	+8%	-3%	9%

Sales by segments

USD million	FY 2018	Organic growth	Acq. / div.	Curr. effect	USD growth	Q4 2018	Organic growth	Acq. / div.	Curr. effect	USD growth
Prosthetics	316	7%	+4%	+1%	12%	89	6%	+14%	-3%	17%
Bracing and supports	296	2%	+1%	+1%	4%	79	3%	+3%	-4%	2%
Other	1	-	-	-	-	0	-	-	-	-
Total	613	5%	+2%	+1%	8%	168	4%	+8%	-3%	9%

Prosthetics

Prosthetics sales in FY 2018 amounted to USD 316 million and grew by 7% organic. Prosthetics sales in Q4 2018 amounted to USD 89 million and grew by 6% organic.

We continue to see good performance in prosthetics, bearing in mind a strong comparable quarter in Q4 2017 where organic growth amounted to 11%. High-end innovative products such as bionics and carbon-fiber mechanical feet delivered strong growth in the segment globally. Growth in other product categories was also good in the quarter. Growth was furthermore strong in all market regions; EMEA, Americas, and APAC. Good performance in all regions can be attributed, among others, to a good market acceptance of recently launched products such as the Pro-Flex® LP Align and the new bionic PROPRIO FOOT®.

Sales of bionic products accounted for 24% of prosthetics component sales in the quarter, the same percentage as in Q4 2017.

New product launches include the PROPRIO FOOT® which performed well in its limited launch phase during the quarter and the product will be fully launched to the market in Q1 2019. This latest generation of the world's first bionic ankle offers enhanced features designed to reduce the risk of trips, stumbles and falls, and

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

automatically detects the terrain, adjusting the ankle position in real-time. Additionally, two new silicone liners were launched in the quarter.

Bracing and supports

Bracing and supports (B&S) sales in FY 2018 amounted to USD 296 million and grew by 2% organic. B&S sales in Q4 2018 amounted to USD 79 million and grew by 3% organic.

High-end innovative products such as the Unloader One® solutions and Rebound® Post-Op Knee continued to be the main growth drivers in the segment. Growth in EMEA was impacted by a competitive market environment for compression therapy products in France and rationalization efforts in selected markets. Other regions in EMEA delivered strong growth. Growth in the Americas was strong for high-end products but was negatively impacted by lower sales to a few large distributors. Our own distribution companies continue to perform well after their restructuring was finalized at the end of 2017. Growth in APAC continues to be strong, most notably in Australia and China.

Introduced in the quarter was the Formfit® Post-Op Knee brace, ideal for practitioners treating post-surgical or post-surgery immobilization cases.

Gross profit

Gross profit in FY 2018 amounted to USD 387 million or 63% of sales compared to USD 355 million or 62% of sales in FY 2017. Gross profit in Q4 2018 amounted to USD 107 million or 64% of sales compared to USD 97 million or 63% of sales in Q4 2017. Items impacting gross profit margin in the quarter were:

- Positive impact from changes in product mix, driven by strong growth in high-end innovative products in both prosthetics and B&S
- Savings from the ongoing efficiency initiatives
- Neutral impact from currency movements

Operating expenses

Operating expenses

Excluding special items, operating expenses in FY 2018 amounted to USD 296 million or 48% of sales compared to USD 274 million or 48% of sales in FY 2017, amounting to USD 80 million or 48% of sales in Q4 2018 compared to USD 72 million or 47% of sales in Q4 2017. Items impacting OPEX in the quarter were:

- Sales & marketing (S&M) expenses increased by 11% and amounted to 33% of sales. Growth is mainly due to acquisitions, investments in sales efforts in new business development and emerging markets.
- Research & development (R&D) expenses increased by 8% and amounted to 4% of sales. Increased investments in R&D projects for high-end products are in line with plan and previous communication.
- General & administrative (G&A) expenses increased by 12% when excluding special items and amounted to 10% of sales. The increase is mainly related to acquisitions and investments in specific functions to support a growing business. It should be noted that in FY 2018, excluding impact from special items and acquisitions, G&A cost grew at a slower rate than sales.

It should be noted that the purchase price allocation (PPA) for the companies acquired in 2018 has not been finalized. When the PPA will be finalized in 2019, it is expected that a part of the value allocated to goodwill will be re-allocated to intangibles and consequently amortized over time.

Efficiency initiatives

In September 2017, Össur announced efficiency initiatives in the areas of 1) distribution, 2) manufacturing, and 3) sourcing, to further increase scalability and profitability.

- 1) During the year, the distribution facility on the west coast in the US was closed and the operations were moved to the Mexico manufacturing facility, where savings began to materialize in the second half of the year.
- 2) Within manufacturing, investments were made in various equipment in the Mexico manufacturing facility to grow the operations and to prepare the facility to manufacture specific prosthetic components. Consequently, a part of the prosthetics manufacturing was moved from Iceland to Mexico late in the year, with savings expected in 2019.
- 3) Within the strategic sourcing initiative, good progress was made in several spend categories.

Good progress was made within all areas of the efficiency initiatives although with some delayed impact of the manufacturing move. Hence, realized savings were slightly lower than the target of USD 3 million for the year. It is still expected that the savings target of USD 6 million in 2019 will be reached.

Special items

Össur expensed one-time costs of USD 0.6 million in Q4 2018. The one-time costs are related to the recent acquisitions. In the FY 2018, Össur expensed USD 7.5 million in one-time expenses related to the ongoing efficiency initiatives and the acquisitions made in 2018. It should be noted that the expenses related to the efficiency initiatives were expected as they had previously been communicated when the efficiency initiatives were first introduced in September 2017.

Össur recognized USD 4.2 million in goodwill impairment in Q4 2018. The impairment is related to a discontinued product with minimal sales, acquired in 2012.

EBITDA

EBITDA before special items in FY 2018 amounted to USD 115 million or 19% of sales compared to an EBITDA before special items of USD 103 million or 18% of sales in FY 2017. Currency movements affected the EBITDA margin in FY 2018 positively by about 20 basis points net of hedge.

EBITDA before special items in Q4 2018 amounted to USD 33 million or 20% of sales compared to an EBITDA before special items of USD 30 million or 20% of sales in Q4 2017. Currency movements affected the EBITDA margin in Q4 2018 positively by about 60 basis points net of hedge.

Financial items, income tax and net profit

Financial items

Net financial expenses in FY 2018 amounted to USD 6 million compared to USD 6 million in FY 2017. Net financial expenses in Q4 2018 amounted to USD 2 million compared to USD 2 million in Q4 2017, where the net exchange rate difference was negative by USD 0.2 million in Q4 2018 compared to a negative USD 1.6 million in Q4 2017.

Effects of investments in associated companies

Effects of investments in associated companies in FY 2018 amounted to USD 24 million compared to USD 0 million in FY 2017. Effects of investments in associated companies in Q4 2018 amounted to USD 17 million compared to USD 0 million in Q4 2017. During Q4 2018 and in relation to the recent acquisitions, a revaluation of previously acquired shares impacted effects of investments in associated companies by USD 17 million. In FY 2018, the impact due to revaluation of previously acquired shares amounts to USD 21 million.

It should be noted that in 2018, Össur recognized approx. USD 1 million per quarter in share in net profit from minority holdings. Due to the recent acquisitions, it is expected that the profit will decrease in 2019 and return to levels comparable with the year 2017.

Income tax

Income tax in FY 2018 amounted to USD 17 million, corresponding to 18% effective tax rate, compared to USD 11 million or 16% effective tax rate in FY 2017. Income tax amounted to USD 3 million in Q4 2018, corresponding to 9% effective tax rate, compared to a positive income tax of USD 1 million or a positive effective tax rate of 4% in Q4 2017. Lower effective tax rate in 2017 and 2018 is due to a lower federal tax rate in the US after the Tax Cuts & Jobs Act was signed in the US in December 2017. Further information on the impact of the Tax Cut and Jobs Act can be found in the Q4 2017 Company Announcement. The income tax in 2018 is furthermore impacted by the revaluation of previously acquired shares which impacted effects of investments in associated companies.

Excluding the impact due to the revaluation of previously acquired shares, the normalized effective tax rate in Q4 2018 would have been 25%, compared to a normalized rate in Q4 2017 of 25%. In FY 2018, the normalized effective tax rate would have been 24%, compared to a normalized rate in FY 2017 of 26%. The lower effective income tax rate in 2018 is in line with expectations due to a lower income tax rate following tax reform in the United States, where Össur derives a significant part of its sales.

Expectations regarding the tax rate for 2019 can be found in the section concerning the 2019 guidance.

Net profit

Net profit in FY 2018 amounted to USD 80 million or 13% of sales, compared to USD 58 million or 10% of sales in FY 2017, an increase of 38% in the period. Net profit in Q4 2018 amounted to USD 34 million or 20% of sales, compared to USD 23 million or 15% of sales in Q4 2017, an increase of 47% in the period. Diluted earnings per share in Q4 2018 amounted to 8.0 US cents compared to 5.4 US cents in Q4 2017, an increase of 48% in the period.

Cash flow

Cash generated by operations

Cash generated by operations in FY 2018 amounted to USD 92 million or 15% of sales, compared to USD 90 million or 16% of sales in FY 2017. Cash generated by operations in Q4 2018 amounted to USD 31 million or 18% of sales, compared to USD 34 million or 22% of sales in Q4 2017. Cash generation is seasonally strong in the fourth quarter but is lower as percentage of sales in Q4 2018 due to net working capital investments and a higher income tax paid than in the comparable quarter.

Capital expenditures

Capital expenditure in FY 2018 amounted to USD 31 million or 5% of sales, compared to USD 19 million or 3% of sales in FY 2017. Capital expenditures in Q4 2018 amounted to USD 8 million or 4% of sales, compared to USD 7 million or 4% of sales in Q4 2017. As in the first nine months, CAPEX included investments related to the ongoing efficiency initiatives in addition to various investments in leasehold improvements and integration of a new CRM software.

Capital structure

Net-interest bearing debt

Net interest-bearing debt at the end of 2018 amounted to USD 180 million compared to USD 121 million at year-end 2017. Changes in debt levels are mostly due to recent acquisitions, share buyback program, dividends, and

changes in currency rates. Net interest-bearing debt to EBITDA corresponded to 1.6x at year-end 2018 compared to 1.2x at year-end 2017. The ratio is in line with the Company's Capital Structure and Dividend policy to maintain a healthy balance sheet and a level of net interest-bearing debt of 1-2x EBITDA.

Share buybacks

Since the beginning of 2018, Össur has purchased 5,430,259 of own shares for approximately USD 26 million. Össur acquired 726,566 of own shares for approximately USD 5 million in Q4 2018. The purpose of the share buybacks is to reduce the Company's share capital and adjust the capital structure by distributing capital to shareholders in line with the Company's Capital Structure and Dividend Policy. At year-end 2018, Össur held 6,705,259 treasury shares.

The Board of Directors will propose to the Annual General Meeting in 2019 to reduce the share capital by way of cancelling all shares acquired in 2018 amounting to 5,430,259 of Össur's own shares of ISK 1 nominal value each. If the Annual General Meeting approves the motion, the number of outstanding shares will be 425,377,804.

Dividends

The Board of Directors will propose to the Annual General Meeting in 2019 that Össur pays a cash dividend of DKK 0.14 per share for 2018, equivalent to approx. 12% of net profit in 2018, compared to DKK 0.13 per share for 2017, an increase of 8% per share. If the Annual General Meeting approves the motion, the dividend for 2018 will be paid out on March 21, 2019 and the last trading day with right to dividend for 2018 is March 7, 2019.

Financial guidance for 2019

Guidance

	Guidance FY 2019	Actual FY 2018	Guidance FY 2018
Sales growth, organic	4-5%	5%	4-5%
EBITDA margin, before special items	~23%	19%	~19%
CAPEX as % of sales	4-5%	5%	~5%
Effective tax rate	23-24%	24%*	23-24%

* The effective tax rate has been normalized for one-time benefits impacting the rate in 2018. The reported effective tax rate is 18%.

The financial guidance assumes the prevailing economic outlook in key markets and no major fluctuations of major operating currencies.

Össur made four acquisitions in 2018. The combined full-year sales of the four acquisitions amount to about USD 70 million. The acquisitions are expected to have a slightly negative impact on the EBITDA margin in 2019. Further information on the acquisitions can be found in the section "Other matters".

Organic sales growth is expected to be in the range of 4-5%. In prosthetics, we expect to see a continued good performance in key markets and high-end products, supported by recent product launches such as the Pro-Flex® LP Align and the bionic PROPRIO FOOT®. Growth in prosthetics is estimated to be at or above estimated market growth in 2019. In bracing & supports, we expect to see a continued good performance in high-end products, such as the Unloader One® solutions. The product rationalization in selected markets and lower sales to a few large distributors which impacted growth in 2018 are expected to have a minimal impact on growth in 2019. However, as in 2018, we expect the competitive market environment in France and the United States to prevail. Continued good performance is expected in other key markets. Growth in bracing & supports is estimated to be in line with estimated market growth in 2019.

As of January 2019, Össur implemented the new IFRS 16 Leasing accounting standard which will affect the reporting of the financial performance. The standard will not be applied retrospectively and therefore the 2018 comparative figures will not be adjusted. However, Össur will throughout 2019 continue to report on key financial metrics as they would have been without the implementation of the new IFRS 16 standard. In sum, the implementation is expected to increase EBITDA by approx. USD 19 million and depreciation by approx. USD 17 million resulting in an increase in EBIT of approx. USD 2 million. Furthermore, interest expenses are expected to increase by approx. USD 3 million and net profit is expected to decrease by approx. USD 1 million. For further information on the standard and its impact on the consolidated financial statements, see note 33.2 in the full year 2018 consolidated financial statements.

EBITDA margin before special items is expected to be ~23% of sales. Excluding the impact of the new IFRS 16 Leasing account standard, the EBITDA margin before special items is expected to be ~20% of sales. The EBITDA margin is expected to increase compared to 2018 due to favorable developments in product mix, scalability in the underlying business, and savings from the efficiency initiatives. The recent acquisitions are expected to have a slightly negative impact on the EBITDA margin. At current foreign exchange rates, keeping all other factors constant, the EBITDA margin is expected to be positively impacted by about 40-50 basis points net of hedge in 2019 when compared to 2018.

It should be noted that quarter one is, and has been historically, seasonally the weakest quarter of the year in terms of sales and profitability. The recent acquisitions have a greater seasonality in their operations compared to the pre-acquisition Össur business, where the first quarter of the year is also seasonally the weakest and the fourth quarter the strongest. Consequently, the seasonality in Össur's sales and profit is expected to slightly increase in 2019.

CAPEX is expected to be above the historical normalized level of 3-4% of sales and amount to 4-5% of sales in 2019. The main reason for the higher CAPEX level is due to expected CAPEX investments in relation to the ongoing efficiency initiatives. Other main CAPEX items include maintenance CAPEX in manufacturing, continuation of the implementation of a new CRM software, investments in computer equipment, software, leasehold improvements, and fixtures.

Based on the current mix of taxable income, the expectation is that the 2019 effective tax rate will be in the range of 23-24%.

Foreign exchange

Sales are particularly exposed to fluctuations in the EUR against the USD. In addition to the EUR, the ISK has a relatively high impact on operating results as a substantial part of manufacturing, R&D, and corporate functions are based in Iceland whereas sales in ISK are minor. Split of sales and costs by main currencies can be found in note 5 in the accompanying consolidated financial statements.

All else being equal, a +/- 5% movement in EUR/USD is estimated to have an annual impact to the EBITDA in the range of USD 2.9-3.2 million when unhedged. The same movement in the ISK/USD is estimated to have an annual impact on the EBITDA in the range of USD 2.7-3.0 million when unhedged.² Össur utilizes forward contracts to hedge approximately 50% of the estimated net currency exposure in ISK.

² The sensitivity analysis does not consider the implementation of the new IFRS 16 Leasing accounting standard which will affect the recognition and measurement of the consolidated financial statements.

Currency overview

USD	EUR	ISK
Average exchange rate 2018	1.1816	0.0093
Closing rate 4 February 2019	1.1434	0.0084
Estimated average exchange rate for 2019*	1.1434	0.0084
Change in estimated exchange rate 2019 compared with last year's average	-3%	-10%

*Estimated average exchange rate is the closing rate at 4 February 2019.

Other matters

Acquisitions

Össur made four acquisitions in 2018. The impact of the acquisitions is fully included in the balance sheet at year-end 2018 but only two of the acquisitions contributed to operating income in Q4 2018. Sales in the four acquired companies on a full year basis amount to around USD 70 million combined. The acquired companies are expected to have a slightly negative impact on Össur's EBITDA margin in 2019 but they have greater seasonality in their operations, where the first quarter of the year is seasonally the weakest and the fourth quarter the strongest. Hence, the seasonality of Össur is expected to slightly increase in 2019.

CMS seeks comments on a new proposal for OTS competitive bidding program

In November 2018, the Centers for Medicare and Medicaid Services (CMS) announced that it was seeking comments on a new proposal to include off-the-shelf (OTS) knee and spinal orthoses in the next round of competitive bidding. This would mean that only suppliers awarded competitive bidding contracts would be permitted to dispense these devices to Medicare beneficiaries. The competitively-bid fees for these OTS orthoses would likely be lower than the current Medicare fee schedule. If the contracting process for the competitive bidding process were to start in 2019, as has been indicated by CMS, the most likely scenario is that the OTS orthoses would be included in the competitive bidding round that takes effect in January 2021.

As part of the announcement in November 2018, CMS sought public comments on a list of reimbursement codes it proposed including in the competitive bidding program. Numerous trade organizations for the orthotic industry, individual manufacturers and health care providers raised concerns about the proposal, arguing that Medicare had exceeded its regulatory authority and had included codes that describe custom-fit items (i.e., devices that are not OTS), which are statutorily excluded from competitive bidding. As a result, considerable uncertainty exists as to which codes CMS may include in a future round of competitive bidding. CMS is currently evaluating the public's comments. Hence, it is premature for Össur to offer a projection regarding any potential impact that the current proposal may have on U.S. bracing & supports sales. However, if CMS agrees with the industry on which codes in the proposal describe custom-fit products, and excludes those codes from competitive bidding, we expect the sales impact to be minimal.

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

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

Financial calendar and upcoming events & conferences

Q4&FY 2018 conference call details

Össur will host a conference call on Tuesday 5 February 2019 at **9:00 CET / 8:00 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.

Financial calendar

Annual General Meeting	7 March 2019
Interim Report Q1 2019	30 April 2019
Interim Report Q2 2019	25 July 2019
Interim Report Q3 2019	22 October 2019
Interim Report Q4 2019 and Annual Report for 2019	4 February 2020
Annual General Meeting	12 March 2020

Meet with us

Morgan Stanley European MedTech & Services Conference (UK)	5 March 2019
Carnegie Nordic Healthcare Seminar (SE)	6 March 2019
SEB New York & Boston Conference 2019 (US)	15-16 May 2019
Goldman Sachs 16 th Annual European Medtech and Healthcare Conference (UK)	4-5 September 2019
ABGSC Small & Midcap Seminar (DK)	25 September 2019

For further information

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About Össur

Össur (NASDAQ OMX: OSSR) is a global leader in non-invasive orthopaedics that help people live a life without limitations. Its business is focused on improving people’s mobility through the delivery of innovative technologies within the fields of Prosthetics and Bracing & Supports. A recognized “Technology Pioneer,” Össur invests significantly in research and product development—its award-winning designs ensuring a consistently strong position in the market. Successful patient and clinical outcomes are further empowered via Össur’s educational programs and business solutions. Headquartered in Iceland, Össur has major operations in the Americas, Europe and Asia, with additional distributors worldwide. www.ossur.com

Forward-looking statements

This press release includes "forward-looking statements" which involve risks and uncertainties that could cause actual results to differ materially from results expressed or implied by these statements. Össur hf. undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this press release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.

Statement by the Board of Directors and President and CEO

The Board of Directors and the President and CEO of Össur hf. have considered and approved the Annual Report of Össur hf. for 2018, including the audited consolidated financial statements. The Board of Directors and the President and CEO have also considered this Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January to 31 December 2018 consisting 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 Company amounted to USD 612.9 million and net profit amounted to USD 79.8 million. Össur's consolidated total assets amounted to USD 913.5 million at year end, liabilities were USD 376 million and equity was USD 537.5 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 31 December 2018 and operating performance of the period ended 31 December 2018.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 31 December 2018 and confirm them by means of their signatures.

Reykjavík, 5 February 2019

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	2018	2017	Q4 2018	Q4 2017
Net sales	3	612,876	568,621	167,828	153,791
Cost of goods sold		(226,072)	(213,832)	(61,063)	(56,909)
Gross profit		386,804	354,789	106,765	96,882
Other income / (expenses)	6	(4,102)	(39)	(4,228)	(10)
Sales and marketing expenses		(202,106)	(187,348)	(55,237)	(49,696)
Research and development expenses		(31,356)	(28,910)	(7,550)	(7,006)
General and administrative expenses		(70,324)	(63,672)	(18,183)	(15,623)
Earnings before interest and tax (EBIT)		78,916	74,820	21,567	24,547
Financial income		558	850	(701)	(592)
Financial expenses		(4,912)	(3,998)	(775)	(28)
Net exchange rate difference		(1,848)	(3,087)	(160)	(1,603)
Net financial income / (expenses)		(6,202)	(6,235)	(1,636)	(2,223)
Effects of associates	8	24,210	157	17,375	(31)
Earnings before tax (EBT)		96,924	68,742	37,306	22,293
Income tax		(17,101)	(11,081)	(3,374)	843
Net profit		79,823	57,661	33,932	23,136
Attributable to:					
Owners of the Company		79,754	57,645	33,953	23,076
Non-controlling interests		69	16	(21)	60
Net profit		79,823	57,661	33,932	23,136
Earnings per share					
Earnings per share (US cent)		18.8	13.4	8.0	5.4
Diluted earnings per share (US cent)		18.7	13.3	8.0	5.4

Consolidated Statement of Comprehensive Income

All amounts in USD '000	Notes	2018	2017	Unaudited	
				Q4 2018	Q4 2017
Net profit		79,823	57,661	33,932	23,136
Items that may be reclassified subsequently to profit or loss:					
Change in cash flow hedges		(86)	(801)	(163)	62
Exchange differences on translating foreign operations		(13,071)	18,470	(3,889)	(1,867)
Effect of implementation of IFRS 15		(1,900)	0	(1,900)	0
Income tax relating to components of other comprehensive income		(620)	847	265	236
Other comprehensive income, net of income tax		(15,677)	18,516	(5,687)	(1,569)
Total comprehensive income		64,146	76,177	28,245	21,567
Attributable to:					
Owners of the Company		64,077	76,161	28,266	21,507
Non-controlling interests		69	16	(21)	60
Total comprehensive income		64,146	76,177	28,245	21,567

Consolidated Balance Sheet

Assets			
All amounts in USD '000	Notes	31.12.2018	31.12.2017
Property, plant and equipment	5	63,032	55,981
Goodwill	6	500,842	414,663
Other intangible assets	7	49,110	45,013
Investment in associates	8	5,998	14,740
Other financial assets		2,727	7,119
Deferred tax assets		17,839	23,322
Non-current assets		639,548	560,838
Inventories		95,863	82,291
Accounts receivables		103,923	93,058
Other assets		18,515	19,577
Bank balances and cash equivalents		55,706	37,272
Current assets		274,007	232,198
Total assets		913,555	793,036

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	31.12.2018	31.12.2017
Issued capital and share premium		93,767	113,524
Reserves		(46,396)	(32,936)
Retained earnings		487,090	419,334
Equity attributable to owners of the Company		534,461	499,922
Non-controlling interest		3,076	539
Total equity		537,537	500,461
Borrowings		222,049	133,487
Deferred tax liabilities		22,906	22,308
Provisions		7,596	6,716
Other financial liabilities		5,903	3,222
Non-current liabilities		258,454	165,733
Borrowings		13,434	25,198
Accounts payable		28,142	23,448
Taxes payable		6,156	10,116
Provisions		6,103	4,314
Accrued salaries and related expenses		39,037	35,185
Other liabilities		24,692	28,581
Current liabilities		117,564	126,842
Total equity and liabilities		913,555	793,036

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	2018	2017	Q4 2018	Q4 2017
Earnings before interests and tax (EBIT)		78,916	74,820	21,567	24,547
Depreciation, impairment and amortization	5, 6,7	28,391	22,555	10,793	5,891
Loss on disposal of assets		181	72	102	20
Change in provisions		1,965	(875)	650	(1,965)
Change in inventories		(13,910)	(2,894)	(4,353)	1,893
Change in receivables		(1,776)	(5,628)	(1,165)	(3,205)
Change in payables		(1,643)	1,691	3,331	6,568
Cash generated by operations		92,124	89,741	30,925	33,749
Interest received		2,145	1,742	873	359
Interest paid		(6,194)	(4,637)	(2,234)	(965)
Income tax paid		(18,635)	(12,962)	(6,575)	(1,902)
Net cash provided by operating activities		69,440	73,884	22,989	31,241
Purchase of fixed and intangible assets	5, 7	(30,860)	(19,152)	(7,508)	(6,654)
Proceeds from sale of fixed assets		48	34	7	12
Acquisition of subsidiaries, net of cash in acquired entities		(65,713)	(667)	(46,755)	752
Dividend received		4,847	0	0	0
Changes in financial assets		(465)	343	(393)	(1,122)
Cash flows to investing activities		(92,143)	(19,442)	(54,649)	(7,012)
Proceeds from long-term borrowings		55,608	774	314	74
Repayments of long-term borrowings		(30,056)	(25,610)	(4,358)	(1,031)
Changes in revolving credit facility		47,681	13,292	55,905	(17,764)
Payment of dividends		(9,184)	(7,340)	0	0
Increase in subsidiaries that does not affect control		(422)	(1,419)	0	(1,419)
Change in treasury shares		(19,256)	(36,083)	(3,281)	(1,793)
Cash flows from / (to) financing activities		44,371	(56,386)	48,580	(21,933)
Net change in cash		21,668	(1,944)	16,920	2,296
Effects of exchange rate changes on:					
Balance of cash held in foreign currencies		(1,753)	2,837	(386)	187
Other items held in foreign currencies		(1,481)	1,288	(657)	61
Cash at beginning of period		37,272	35,091	39,829	34,728
Cash at end of period		55,706	37,272	55,706	37,272

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2017	4,933	144,673	1,267	1,553	83	(55,770)	369,689	466,428	763	467,191
Net profit							57,645	57,645	16	57,661
Change in cash flow hedges					(801)			(801)		(801)
Translation difference of shares in foreign operations						19,317		19,317		19,317
Total comprehensive income for the period	0	0	0	0	(801)	19,317	57,645	76,161	16	76,177
Payment of dividends							(7,340)	(7,340)		(7,340)
Share option charge for the period				1,415				1,415		1,415
Change in non-controlling interests							(685)	(685)	(239)	(924)
Sale of treasury shares		510					25	535		535
Purchase of treasury shares	(84)	(36,508)						(36,592)		(36,592)
Balance at 31 December 2017	4,849	108,675	1,267	2,968	(718)	(36,453)	419,334	499,922	539	500,461
Net profit							79,754	79,754	69	79,823
Change in cash flow hedges					91			91		91
Effect of implementation of IFRS 15							(1,900)	(1,900)		(1,900)
Translation difference of shares in foreign operations						(13,868)		(13,868)		(13,868)
Total comprehensive income for the period	0	0	0	0	91	(13,868)	77,854	64,077	69	64,146
Payment of dividends							(9,184)	(9,184)		(9,184)
Share option charge for the period				1,322				1,322		1,322
Share option vested during the period	14	6,141		(1,005)			(577)	4,573		4,573
Change in non-controlling interests							(337)	(337)	(61)	(398)
Purchase of treasury shares	(52)	(25,860)						(25,912)		(25,912)
Minority interest arising on acquisition								0	2,529	2,529
Balance at 31 December 2018	4,811	88,956	1,267	3,285	(627)	(50,321)	487,090	534,461	3,076	537,537

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. New and amended IFRS Standards that are effective for the current year are disclosed in the 2018 Annual 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 2018. 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 2018.

2. Quarterly statements

	Full year 2018	Unaudited			
		Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net sales	612,876	167,828	145,205	158,215	141,628
Cost of goods sold	(226,072)	(61,063)	(52,749)	(59,112)	(53,148)
Gross profit	386,804	106,765	92,456	99,103	88,480
Gross profit margin	63%	64%	64%	63%	62%
Other income / (expenses)	(4,102)	(4,228)	49	121	(44)
Sales and marketing expenses	(202,106)	(55,237)	(46,857)	(50,256)	(49,756)
Research and development expenses	(31,356)	(7,550)	(7,240)	(8,437)	(8,129)
General and administrative expenses	(70,324)	(18,183)	(21,148)	(14,414)	(16,579)
EBIT	78,916	21,567	17,260	26,117	13,972
Net financial income / (expenses)	(4,354)	(1,476)	(918)	(984)	(976)
Net exchange rate difference	(1,848)	(160)	(467)	(671)	(550)
Effects of investments in associates	24,210	17,375	4,714	1,081	1,040
EBT	96,924	37,306	20,589	25,543	13,486
Income tax	(17,101)	(3,374)	(4,679)	(5,842)	(3,206)
Net profit	79,823	33,932	15,910	19,701	10,280
EBITDA	107,307	32,360	23,262	31,882	19,803
EBITDA margin	18%	19%	16%	20%	14%
EBITDA before special items	114,772	32,977	30,110	31,882	19,803
EBITDA margin before special items	19%	20%	21%	20%	14%

Notes to the Consolidated Financial Statements

3. Net sales

	2018	2017	Unaudited	
			Q4 2018	Q4 2017
Specified according to geographical segments:				
EMEA	298,523	281,075	77,709	78,188
Americas	266,169	246,343	77,914	63,972
APAC	48,184	41,203	12,205	11,631
Total	612,876	568,621	167,828	153,791
Specified according to product lines:				
Bracing and Supports	295,941	285,423	79,012	77,474
Prosthetics	315,634	282,380	88,816	76,175
Other products	1,301	818	0	142
Total	612,876	568,621	167,828	153,791

4. Sales and expenses split by main currencies

	2018			Unaudited		
	Q4 2018			Q4 2018		
	LCY	USD	%	LCY	USD	%
Sales						
USD	250,142	250,142	41%	74,810	74,810	45%
EUR	143,108	169,068	28%	37,581	42,884	26%
ISK	237,639	2,189	0%	67,907	565	0%
Nordic curr. (SEK, NOK, DKK)		84,897	14%		23,773	14%
Other (GBP, AUD, CAD & Other)		106,580	17%		25,795	15%
Total		612,876	100%		167,828	100%
COGS and OPEX						
USD	214,425	214,425	40%	70,179	70,179	48%
EUR	95,803	113,351	21%	22,921	26,155	18%
ISK	6,668,049	61,995	12%	1,667,029	13,879	10%
Nordic curr. (SEK, NOK, DKK)		78,167	15%		19,029	13%
Other (GBP, MXN, CAD & Other)		66,022	12%		17,018	12%
Total		533,960	100%		146,261	100%

	2017			Unaudited		
	Q4 2017			Q4 2017		
	LCY	USD	%	LCY	USD	%
Sales						
USD	230,821	230,821	41%	60,559	60,559	39%
EUR	141,606	159,830	28%	37,259	43,886	29%
ISK	216,389	2,027	0%	51,381	490	0%
Nordic curr. (SEK, NOK, DKK)		81,539	14%		24,051	16%
Other (GBP, AUD, CAD & Other)		94,404	17%		24,805	16%
Total		568,621	100%		153,791	100%
COGS and OPEX						
USD	194,442	194,442	39%	48,186	48,186	37%
EUR	97,428	110,008	22%	25,048	29,503	23%
ISK	5,990,569	56,096	11%	1,527,884	14,568	11%
Nordic curr. (SEK, NOK, DKK)		74,769	15%		20,916	16%
Other (GBP, MXN, CAD & Other)		58,486	12%		16,071	12%
Total		493,801	100%		129,244	100%

Notes to the Consolidated Financial Statements

5. Property, plant and equipment

2018	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	13,143	84,954	34,271	13,529	145,896
Additions	9	9,264	9,249	3,369	21,891
Acquired on acquisition of subsidiary	130	2,793	3,458	449	6,830
Exchange rate differences	(571)	(1,676)	(1,046)	(418)	(3,711)
Eliminated on disposal	0	(1,899)	(720)	(616)	(3,235)
At 31 December 2018	12,711	93,436	45,212	16,313	167,671
Depreciation					
At 1 January	9,381	51,981	19,814	8,739	89,915
Charge for the period	393	8,795	4,514	2,476	16,178
Acquired on acquisition of subsidiary	108	1,907	1,886	210	4,111
Exchange rate differences	(418)	(1,333)	(533)	(313)	(2,597)
Eliminated on disposal	0	(1,818)	(638)	(512)	(2,968)
At 31 December 2018	9,464	59,532	25,043	10,600	104,639
At 31 December 2018	3,247	33,904	20,169	5,713	63,032

Depreciation classified by functional category:	2018	2017	Q4 2018	Q4 2017
Cost of goods sold	9,052	8,384	2,231	2,168
Sales and marketing expenses	3,160	2,025	1,446	604
Research and development expenses	1,102	833	369	231
General and administrative expenses	2,864	2,474	721	622
Total	16,178	13,716	4,767	3,625

6. Goodwill

	2018	2017
At 1 January	414,663	394,123
Arising on acquisition of subsidiaries	102,432	0
Purchase price allocation	0	2,076
Exchange rate differences	(12,008)	18,464
Impairment	(4,245)	0
At end of period	500,842	414,663

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

	31.12.2018	31.12.2017
Americas	326,561	235,673
EMEA	158,094	161,329
APAC	16,187	17,661
Total	500,842	414,663

Notes to the Consolidated Financial Statements

7. Other intangible assets

2018	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	37,647	14,511	14,453	38,850	105,461
Additions	0	64	0	2,678	2,742
Additions - internally generated	0	0	0	6,227	6,227
Acquired on acquisition of subsidiary	1,695	0	2,645	292	4,632
Exchange rate differences	(1,625)	(566)	(728)	(953)	(3,872)
At 31 December 2018	37,717	14,009	16,370	47,094	115,190
Amortization					
At 1 January	30,287	2,787	596	26,778	60,448
Charge for the period	2,045	819	16	5,088	7,968
Exchange rate differences	(1,114)	(98)	(278)	(846)	(2,336)
At 31 December 2018	31,218	3,508	334	31,020	66,080
At 31 December 2018	6,499	10,501	16,036	16,074	49,110

Amortization classified by functional category:	2018	2017	Unaudited	
			Q4 2018	Q4 2017
Cost of goods sold	1,118	1,262	281	314
Sales and marketing expenses	3,532	4,503	605	1,140
Research and development expenses	1,189	1,113	303	312
General and administrative expenses	2,129	1,961	592	500
Total	7,968	8,839	1,781	2,266

8. Investment in associates

	2018	2017
At 1 January	14,740	12,912
Additions	0	3,053
Share in net profit / (loss)	3,529	2,607
Revaluation of previously acquired shares	20,681	0
Change in control (moved to subsidiary)	(28,035)	0
Impairment of associates	0	(2,450)
Dividend received	(4,847)	(1,396)
Exchange rate differences	(70)	14
At end of period	5,998	14,740

Effect on Income Statement	2018	2017	Unaudited	
			Q4 2018	Q4 2017
Share in net profit	3,529	2,607	305	2,419
Revaluation to fair value	20,681	0	17,070	0
Total	24,210	2,607	17,375	2,419

Notes to the Consolidated Financial Statements

9. Business combinations

Össur made four acquisitions during 2018. One acquisition was finalized in Q3 and three in Q4 2018, of which two had no impact on operating income during the year. The combined full-year sales of the four acquisitions amount to about USD 70 million. The acquisitions resulted in a revaluation of previously acquired shares of USD 21 million. Fair value changes relating to the purchase price allocation have not been completed.